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ANNUAL REPORT 2001



Growing VALUE

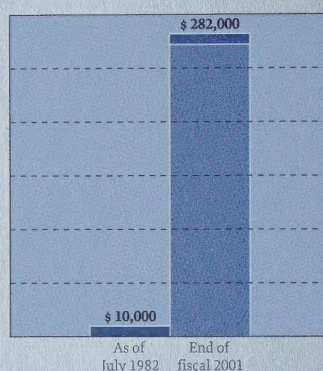
EMPIRE  
COMPANY LIMITED



## Enhancing Value

Empire Company Limited is a diversified Canadian company whose key businesses include food distribution, real estate and corporate investment activities. Guided by conservative business principles, our primary goal is to grow long-term shareholder value through income and cash flow growth and equity appreciation. We accomplish this through direct ownership and equity participation in businesses that have the potential for long-term growth and profitability.

**Growth in Shareholder Value  
since going Public in July, 1982**



Since Empire became a public company in July 1982, our focus on enhancing value has produced annual compound growth in the value of shareholder capital of more than 19%. That means a \$10,000 investment in Empire approximately 19 years ago would have been worth \$282,000 as of April 30, 2001.

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## Growing Value in 2001

- Revenues a record \$11.53 billion
- Net capital gains and other items of \$491 million
- Operating earnings per share of \$2.66 is up 21%
- Operating cash flow per share of \$8.82 is up 12%
- Book value per share of \$33.63 is up 93%
- Net debt to capital ratio improved to 46%





# Enhanced Potential

- Growing revenues and operating earnings
- Rising net asset value through an EVA discipline
- Strong financial position
- A healthy liquid investment portfolio
- Growing occupancy levels and cash flow in our real estate division
- Building sustainable worth in our food distribution division



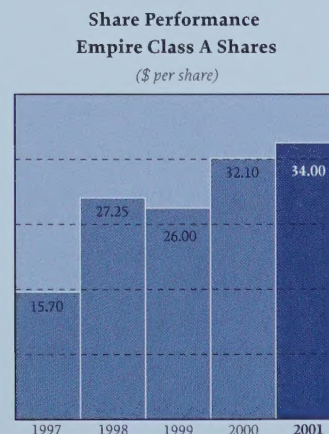
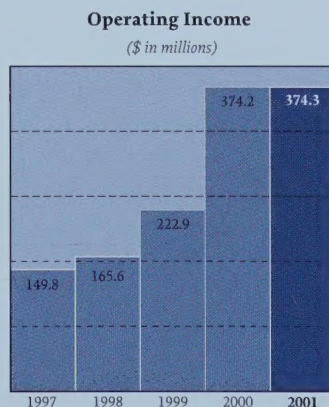
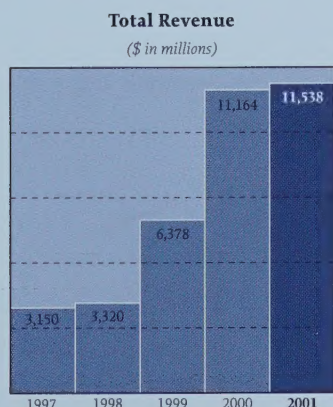
# Financial Highlights

(\$ in millions, except per share amounts)	2001	2000	Change
<b>Operations</b>			
Revenue <sup>(1)</sup>	11,538.6	11,164.5	3.4%
Operating income	374.3	374.2	—
Earnings before net capital gains and other items	88.5	84.7	4.5%
Capital gains and other items, net of tax	491.5	2.1	—
Net earnings	580.0	86.8	568.2%
Operating cash flow <sup>(2)</sup>	289.3	297.0	(2.6)%
<b>Financial Position</b>			
Total assets	4,254.3	4,171.0	2.0%
Shareholders' equity	1,115.0	602.8	85.0%
<b>Per Share Information</b>			
Earnings before goodwill charges, net capital gains and other items	3.02	2.52	19.8%
Earnings before net capital gains and other items	2.66	2.20	20.9%
Capital gains and other items, net of tax	14.98	0.05	—
Net earnings	17.64	2.25	684.0%
Operating cash flow <sup>(2)</sup>	8.82	7.86	12.2%
Book value	33.63	17.45	92.7%
Dividends	0.34	0.28	21.4%
<b>Share Price</b>			
High	36.50	33.95	
Low	27.75	24.65	
Close	34.00	32.10	5.9%

(1) Adjusting for the additional week in fiscal 2000, revenue increased 5.3%.

(2) Operating cash flow before restructuring charges, net change in other current items and after preferred dividends.

- Revenue increased \$374 million to \$11.53 billion.
- Realized net capital gains and other items of \$491 million.
- Operating earnings per share of \$2.66, a 21% increase.

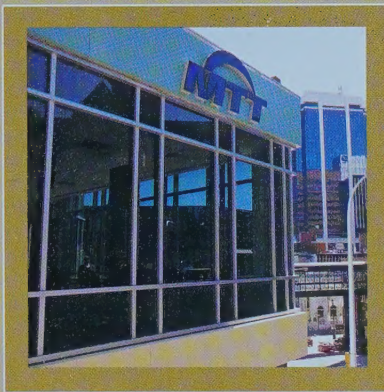




# Empire At-a-Glance

## FOOD DISTRIBUTION

Sobeys Inc. ("Sobeys"), a 62%-owned subsidiary of Empire, is one of Canada's largest food distribution companies with annual revenues of more than \$11 billion. With a national network of 1,351 corporate and franchised stores that spans 10 provinces and includes popular banners such as IGA, Sobeys and Price Chopper, thousands of wholesale customers, and SERCA, Canada's largest and the only national foodservice operation, Sobeys is well-positioned for continuing growth in a consolidating industry.



## REAL ESTATE

Empire's real estate operation controls one of the largest portfolios of prime retail properties in Atlantic Canada through wholly owned subsidiaries Atlantic Shopping Centres Limited ("ASC") and Sobeys Leased Properties Limited ("SLP"). SLP's portfolio is primarily directed at supporting retail operations while ASC's is a more diversified portfolio made up of enclosed shopping centres and business centres. The real estate operation owns and manages 12.0 million square feet of commercial property.

## INVESTMENTS

Empire manages an investment portfolio that was valued at \$593 million as of fiscal 2001 year-end. Our investments provide financial flexibility and a pool of capital that can augment the growth of our core operations. During fiscal 2001, the annualized rate of return on our investments was 29%.

Empire's other operations consist of Empire Theatres Limited ("Empire Theatres"), the leading movie exhibitor in Atlantic Canada with 126 screens in 20 locations.

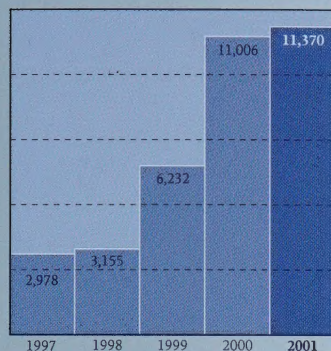




## Key Developments

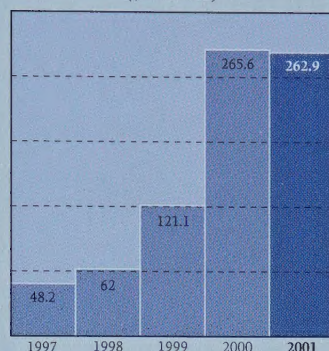
### Food Distribution Revenue

(\$ in millions)



### Food Distribution Operating Income

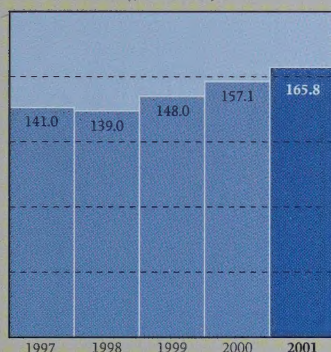
(\$ in millions)



- The Company exceeded its target of \$70 million in integration synergies by the end of fiscal 2001.
- Discontinued development and implementation of the enterprise-wide software and related systems, taking an associated restructuring charge of \$30.3 million after-tax and minority interest.
- Sobeys issued 9.17 million common shares in November 2000 to finance the capital expenditure program and retire debt.
- Built 51 new or replacement stores and expanded or modernized 92 others in fiscal 2001.

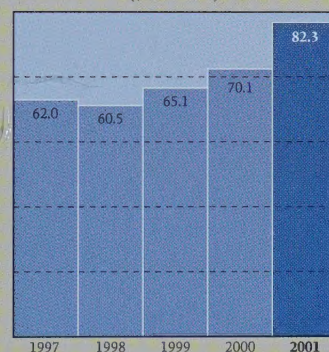
### Real Estate Revenue

(\$ in millions)



### Real Estate Operating Income

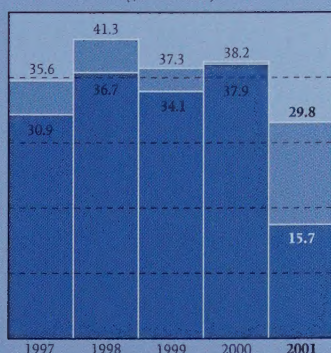
(\$ in millions)



- Purchased a 40% interest in Genstar Development Partnership, a residential land development company, for \$29 million.
- Improved occupancy levels, higher net effective rental rates and lower operating costs contributed to record revenues and operating income in fiscal 2001.
- Major developments included: construction of new 5-plex cinemas for Empire Theatres at Summerside, Prince Edward Island, and Douglastown, New Brunswick; the re-development of Aberdeen Mall in New Glasgow, Nova Scotia into a business center; and the expansion of Zellers stores at County Fair Mall in New Minas, Nova Scotia and Bridgewater Mall in Bridgewater, Nova Scotia.

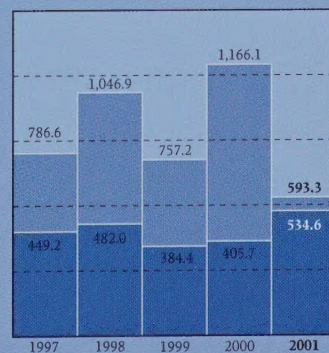
### Empire Company Investment Income

(\$ in millions)



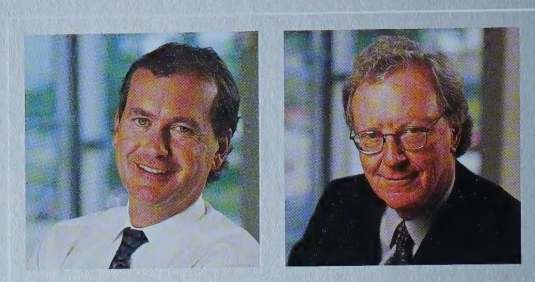
### Empire Company Market Value and Book Value of Investments

(\$ in millions)



- Realized net investment gains of \$589.5 million during fiscal 2001.
- Cash proceeds of \$745 million from the sale of our investment in Hannaford Bros. Co. ("Hannaford") allowed for the repayment of \$365 million in short-term debt.
- Empire participated in Sobeys' November 2000 equity issue, purchasing an additional 5.7 million Sobeys common shares for \$155 million to maintain its 62% interest.
- Empire Theatres posted new records for revenues and operating income.





PAUL D. SOBEY,

DONALD R. SOBEY, CHAIRMAN

## Dear Fellow Shareholders,

Growing Value, the theme of this year's annual report, reflects our belief that management's primary objective is to maximize the long term sustainable value of Empire for its shareholders. Our unwavering goal is to enhance the worth of the Company's net assets and ultimately, have that value reflected in Empire's share price. At the same time, we are committed to maintaining a reliable and increasing dividend.

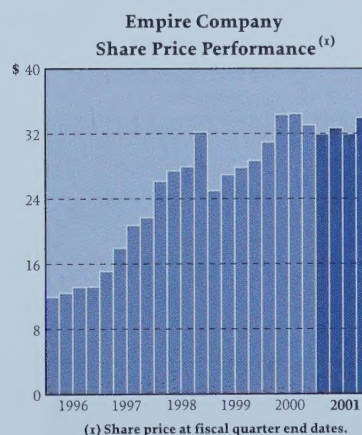
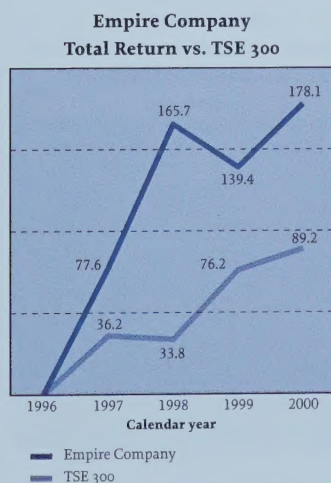


Accordingly, we measure success by the long-term growth of our shareholders' investment. Since Empire has been a public company – close to 19 years – our focus on enhancing value has produced annual compound growth in the value of shareholder capital of more than 19 percent. To put it another way, a \$10,000 investment made when Empire went public in July 1982 would have been worth \$282,000 at the end of fiscal 2001. While we acknowledge that past returns are not a guarantee of future performance, our objective remains focused on the unwavering goal to enhance the net worth of your company.

We have achieved this performance by consistently building tangible asset value in each of our divisions: Food Distribution; Real Estate; and Investments, including our Empire Theatres operation. Going forward, we will continue to direct our resources toward the most promising opportunities within these businesses, in order to maximize whatever potential exists within our field of expertise.

### Our Vision

As a publicly traded, diversified holding company we are committed to the creation of superior shareholder return by: exercising a supportive role through our controlling interest in Sobeys; identifying, investing and being actively involved in businesses where Empire can add tangible value; and prudently managing a portfolio of tradable investments that provides diversification and liquidity.





## How We Create Value

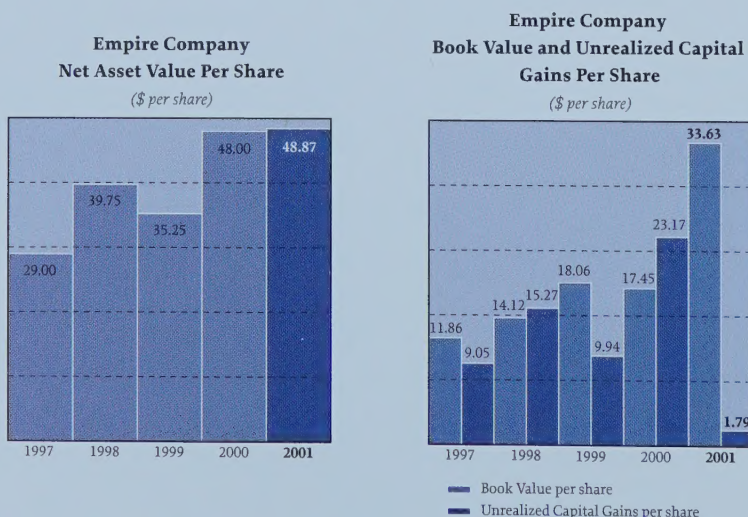
Empire brings a particular perspective to its investments – one that is characterized by a controlling shareholder's proprietary interest and long-term focus. As such, we will not sacrifice longer-term growth in shareholder value for simply a short-term win. We believe that the two key factors in the creation of value are first, strong management and second, an emphasis on long-term growth in cash flow that exceeds the after-tax dollar cost of capital. Capital is directed at high-potential opportunities for which we have reasonable assurance that the return on capital employed will be in excess of our cost of capital.

To better monitor our ability to grow value, Empire has recently adopted an economic value added (EVA) approach to capital allocation. This approach is fostered by linking key management performance incentives directly to growth in economic value added.

## Strong Financial Results

Overall, the past year was a good one for Empire. Revenue reached a record \$11.53 billion in 2001, an increase of \$374 million or 3.4% over the prior year. Adjusted for the extra week in fiscal 2000, annual revenue increased \$528 million or 5.3%.

Fiscal 2001 earnings before net capital gains and other items amounted to \$88.5 million or \$2.66 per share, as compared to \$84.7 million or \$2.20 per share last year, an increase of 4.5% in absolute dollars and 21% on an earnings per share basis. Capital gains and other items amounted to \$491.5 million after-tax or \$14.98 per share, which was principally associated with the sale of our 25% equity interest in Hannaford during the first quarter.





Thanks to stronger operating earnings in our core businesses, effective allocation of the Hannaford sale cash proceeds and the repurchase of 6.5 million of Empire's Class A common shares in the fourth quarter of fiscal 2000, we have more than offset the loss of Hannaford's equity earnings.

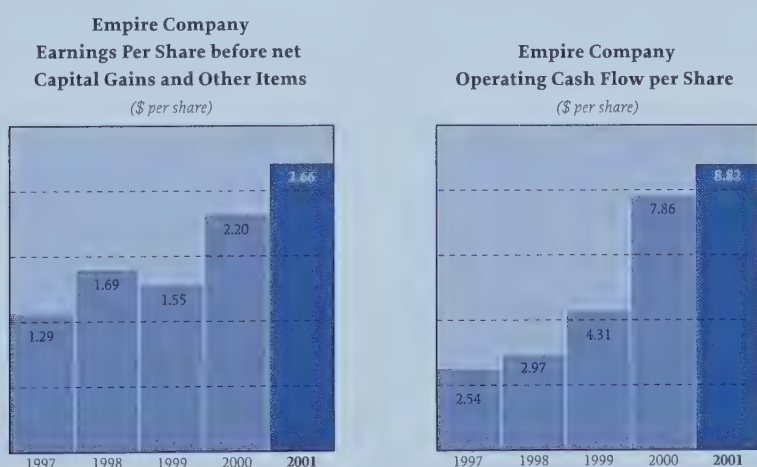
At the same time, we have strengthened our balance sheet and enhanced our financial flexibility, as well as that of Sobeys, through our \$155 million pro rata participation in their \$250 million equity issuance in November 2000.

Operating cash flow per share increased 12% to \$8.82 per share. Our book value per common share increased from \$17.45 last year to \$33.63 this year, while our pre-tax net asset value per share improved marginally to a record \$48.87 in fiscal 2001, 44% above Empire's year-end share price.

This solid fundamental performance was impacted by the operational disruption caused by an enterprise system failure at Sobeys in the third quarter of fiscal 2001.

On January 24, 2001 Sobeys announced that it was abandoning its enterprise-wide systems initiative and writing off all costs associated with this project. Empire's share of this special charge amounted to \$30.3 million, after-tax and minority interest, and is included in our net capital gains and other items.

What was viewed as an enabler became a serious distraction from Sobeys' primary objective of being a customer-focused organization with a supporting technology infrastructure. With a fresh set of eyes, Sobeys' leadership examined the project's original objectives versus the EVA of the existing approach, and came to what Bill McEwan, Sobeys' CEO, characterized as a conclusion too logical to ignore. Our regret with respect to this decision is that it was not taken sooner.







## Financial Review

Sobeys revenues rose \$364 million or 3.3% to reach \$11.37 billion. Adjusting for the extra week in fiscal 2000, revenues increased 5.3%.

Earnings before interest, taxes, depreciation and amortization (EBITDA) was relatively unchanged from the prior year – up \$0.5 million to \$364.1 million.

As noted, Sobeys' net income fell short of expectations due to serious inventory disruptions in Atlantic Canada during the 2000 pre-Christmas season and the subsequent decision to abandon further development and implementation of the enterprise-wide system. Prior to the one-time after-tax charge mentioned above, Sobeys' earnings for the year were \$91.2 million or \$1.50 per share compared to \$80.2 million or \$1.43 per share last year.

In November 2000, Sobeys announced the appointment of Bill McEwan to replace retiring CEO Doug Stewart and lead the company in its next stage of development. Bill came to Sobeys from the Great Atlantic and Pacific Tea Company, where he was most recently President & CEO of the United States Atlantic Region and, prior to that, President of A&P Canada.



Since then, the company has embarked upon a number of ambitious initiatives that are designed to help Sobeys build sustainable worth for each of its key stakeholder groups – customers, suppliers, franchisees, employees and shareholders. Based on early indications, we are confident that Bill and his entire senior management group are creating a more integrated, customer-focused, higher growth organization.

During the past year the company completed a comprehensive regional overview process that will guide the development of its key IGA (including Garden Market IGA and IGA extra), Sobeys and Price Chopper banners in a manner that optimizes profitability in each of its local markets across Canada. An aggressive level of capital spending will continue to be an important ingredient of those plans.

During the year, total system-wide investment by the company, franchise owners and through third party financing reached \$505 million. The majority of this amount was directed at modernizing and expanding the retail network; 51 new or replacement stores were opened with another 92 stores expanded or modernized. Next year an additional \$550-\$600 million in company-wide capital spending is planned of which \$460 million or close to 80% will be directly committed to retail store projects.

At the same time, Sobeys has been reengineering its national procurement and merchandising strategy to shift the focus from maximizing product volumes to more accurately identifying and responding to the preferences of distinct consumer groups. Winning a greater share of customer requirements represents an enormous growth opportunity and the national procurement and marketing strategy is one of the keys to realizing it.

So, too, is the continuing revitalization of the company's stores. At Garden Market IGA and Sobeys stores, for example, the company is offering an unprecedented "fresh" experience with the clustering of bakery, meat, deli and produce departments in a colourful "open market" just inside the front door. It is complemented by an impressive range of products and services that now includes in-store banking, home-meal replacement and expanded pharmacy/natural foods departments.

Sobeys also continues to invest in SERCA – the largest and only national foodservice business in Canada. In September 2000, SERCA opened a new 265,000 square foot distribution warehouse in Mississauga, Ontario, which has enabled the rationalization of the number of distribution centres in the province from eleven to five. The new facility will continue to increase inventory turns and productivity while further enhancing customer service.





## Real Estate

The real estate operation enjoyed another record year in 2001. As a result of continued strong growth in Atlantic Canada, the skills of a leading leasing team and the efforts of all employees, new records were posted for revenue, operating earnings and cash flow. A net increase of 287,000 square feet were leased during the year with occupancy levels at year-end reaching 93.4% versus 91.8% a year earlier. Thanks also to corresponding strength in leasing rates, real estate division revenues were ahead 5.5% to \$165.8 million while operating income increased \$12.2 million or 17.4% to \$82.3 million.

Empire's real estate business continues to be primarily focused on retail assets that are complementary to, and in direct support of, related retail operations. In fact, our skill at acquiring and developing commercial property traces its roots to the 1960s, when securing prime sites for Sobeys necessitated the development of our own network.

Today, 84% of the 12.0 million sq. ft. in our real estate portfolio is retail space, of which 30% is leased to a Sobeys or another Empire-affiliated company.

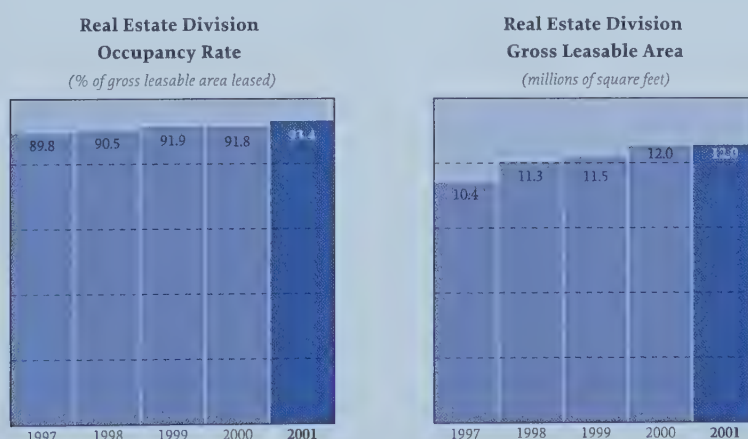


At the same time, we have successfully diversified our portfolio with a wide range of other high-quality tenants. As an example, today our real estate group leases more than 688,000 square feet of space to 21 call centres throughout Atlantic Canada. They are occupied by many of the region's leading companies including Aliant, CIBC, Client Logic, ICT Group, Purolator and Scotiabank. In fact, the Scotia Square, Halifax property contains the largest concentration of corporate call and data centres in eastern Canada.

Fiscal 2001 was another active development year for the real estate group. Major projects included: the re-development of the Aberdeen Mall in New Glasgow, Nova Scotia as a business centre; the completion of a major expansion for Zellers at our property in County Fair Mall, New Minas, Nova Scotia; the construction of new 5-plex cinemas for Empire Theatres at Summerside, Prince Edward Island and Douglastown, New Brunswick, and the expansion of a Zellers store at our Bridgewater Mall, Bridgewater, Nova Scotia.

New opportunities evaluated during the year resulted in the purchase of a 40% interest in Genstar Development Partnership ("Genstar") in January 2001 for \$29 million. Genstar owns and develops land for the residential market primarily in western Canada and is currently exploring opportunities in the southwestern United States. This investment complements our real estate group's residential activities in Nova Scotia and Minneapolis, USA. We are very pleased with the returns and future prospects for our residential operations.

Going forward, Empire's real estate group will continue to grow in support of both Sobeys and other related tenants. Overall occupancy is expected to improve during fiscal 2002 as a result of relatively stronger economic conditions in Atlantic Canada and the diligence of our leasing team. Management will continue its policy of maximizing and reinvesting cash flow to ensure an even stronger property portfolio.







Fiscal 2001 was a banner year for our investment division despite the severity of the general market correction over the past year.

As previously mentioned, we sold our position in Hannaford at the end of the first quarter for a net capital gain of \$573 million. Cash proceeds of \$745 million Canadian dollars from the sale of our investment in Hannaford allowed us to repay \$365 million of short-term debt to enhance our financial flexibility. Such debt included \$220 million in bank loans used to fund the repurchasing of 6.5 million Empire Class A common shares in the fourth quarter of fiscal 2000. The balance of the Hannaford proceeds was earmarked for our portfolio of liquid investments. During the year we realized further net capital gains of \$16 million on this portfolio.

At fiscal year-end, our portfolio had a market value of \$593 million, \$58 million over book value, and provided a total annualized shareholder return of 29% as compared to the TSE 300 index total return of (13%) over this period.

While we do not expect our portfolio returns to match those of the prior year, we will continue to manage it prudently to ensure appropriate diversification and liquidity.

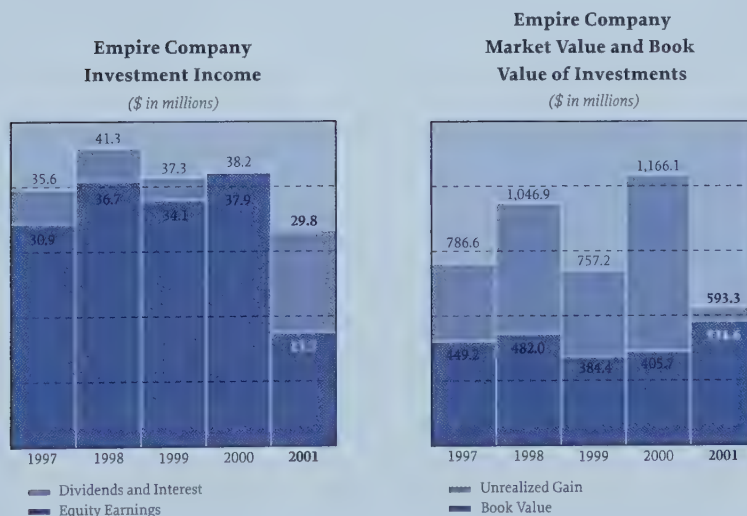


We are sometimes asked the question: “Why does Empire have an investment portfolio?” There are two reasons. First, we have the financial ability to make investments and second, a liquid investment portfolio provides financial flexibility with a pool of capital that augments the growth in our food and real estate businesses. What’s more, we have been successful in generating investment returns in excess of the company’s cost of capital.

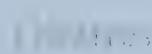
We will continue to allocate our capital from this portfolio to support the growth and development of our operating divisions as and when opportunities arise. For example, Empire utilized part of its portfolio to participate in Sobeys’ November 2000 equity issue by purchasing an additional 5.7 million Sobeys common shares for \$155 million to maintain its 62% interest. As well, we reallocated \$29 million to fund our real estate division’s investment in Genstar.

We are continuing to look for opportunities that are complementary to our core food and real estate operations and are committed to the prudent management of our capital.

The after-tax investment gains of \$589.5 million during the year were offset by a reduction in real estate book value of \$45.9 million after-tax; a reduction in the book value of our investment in Wajax Limited’s (“Wajax”) common shares of \$41.2 million after-tax; and by our share of Sobeys’ restructuring charge in the amount of \$30.3 million (after-tax and minority interest).







Wholly owned Empire Theatres also had a good year, posting new records for revenue and operating income. These results reflect management's continued focus on customer satisfaction and operational efficiency.

As the largest movie exhibitor in Atlantic Canada with 126 screens in 20 locations, Empire Theatres continued to strengthen its competitive position through further modernization of its cinemas.

During fiscal 2001, Empire Theatres opened new Studio 5 theatre complexes in Summerside, Prince Edward Island and Douglastown, New Brunswick.

While fiscal 2001 was a good year, we believe the best is yet to come. Going forward you can be assured that we will not sacrifice long-term growth in shareholder value for short-term wins.

We possess a solid foundation for growth in our core businesses and are well positioned to continue to look for growth opportunities. In doing so we are committed to allocating our capital wisely and will continue to encourage capable management in support of growing value for our shareholders over the long term.

Our performance has, and will continue to be, the direct result of the contributions of more than 33,000 employees, franchisees and affiliates at Empire and its related companies. We offer our sincere thanks for their ongoing support of our strategies to grow value by making our customers our number one focus. One employee in particular deserves special mention, Chester D. Thompson, who retired as Empire's Comptroller in June of this year after 27 years of dedicated and exemplary service. Empire has greatly benefited from Chester's presence and we thank him for his support.

We would also like to acknowledge the contributions of Doug Stewart who served the last five years as Vice-Chairman and Chief Executive Officer of Sobeys Inc., and was also a member of the Empire Board of Directors.

Finally, on behalf of the entire board, we also wish to thank our customers, business partners and shareholders for their continued contributions to Empire's success.

Paul D. Sobey  
President and CEO

July 6, 2001

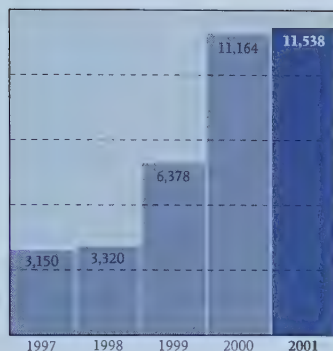
Donald R. Sobey  
Chairman



## Management's Discussion & Analysis

### Total Revenue

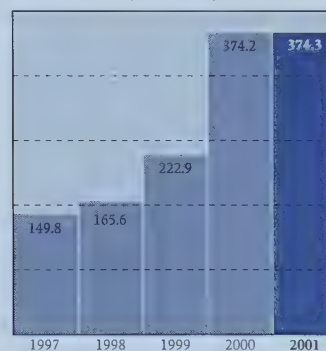
(\$ in millions)



**TOTAL REVENUE** Revenue increased 3.4% in fiscal 2001, primarily the result of continued growth in our food distribution and real estate businesses. Adjusting for the extra week in Sobeys' fiscal 2000, revenue increased 5.3% in fiscal 2001.

### Operating Income

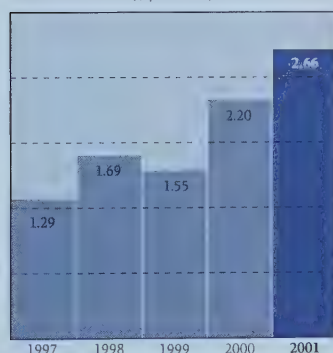
(\$ in millions)



**OPERATING INCOME** Operating income remained relatively unchanged in fiscal 2001, primarily the result of improved performance in real estate operations offset by decreased contribution to consolidated operating income from investments.

### Earnings Per Share before net Capital Gains and Other Items

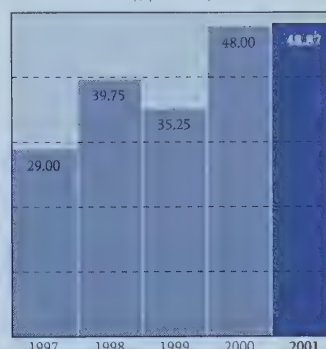
(\$ per share)



**EARNINGS PER SHARE** Earnings per share before net capital gains and other items increased to \$2.66 in fiscal 2001, a 21% increase.

### Net Asset Value Per Share

(\$ per share)



**NET ASSET VALUE PER SHARE** Net asset value per share of \$48.87 in fiscal 2001, has grown by 68% during the past four years.



This section of the annual report provides management's discussion and analysis of the financial condition of Empire Company Limited (the "Company") and its financial performance for the year ended April 30, 2001 with a comparison to the year ended April 30, 2000. As part of this discussion, we assess consolidated operating performance, the performance and outlook of each business segment, the financial position of the Company, capital resources and liquidity, and risk management. This discussion should be read in conjunction with the consolidated financial statements, including the notes that accompany them, on pages 29 to 41.

#### CONSOLIDATED OPERATING PERFORMANCE

**Operating Earnings** Earnings before net capital gains and other items reached \$88.5 million in fiscal 2001, an increase of \$3.8 million or 4.5% from last year's \$84.7 million. On a per share basis, earnings before net capital gains and other items increased 20.9% to \$2.66 per share in 2001, from \$2.20 per share in 2000. After including net capital gains and other items of \$491.5 million in 2001, net earnings amounted to \$580.0 million (\$17.64 per share), an increase of \$493.2 million or 568% over last year's \$86.8 million (\$2.25 per share). The net capital gains and other items recorded in the 2001 fiscal year were primarily the result of the following: (i) the sale of the Hannaford investment for a net capital gain of \$573.5 million; (ii) the sale of liquid investments and properties during the year for a net capital gain of \$16.3 million; (iii) a restructuring charge in the food distribution business, with Empire's share amounting to \$30.3 million after-tax and minority interest; (iv) a reduction in the book value of Wajax Limited of \$41.2 million after-tax; (v) a reduction in real estate book value of \$45.9 million after-tax; and (vi) a decrease in the capital gain tax rate resulting in a \$20.1 million after-tax capital gain for the Company.

#### Consolidated Earnings Per Share

	2001	2000
Earnings before certain items	\$ 3.02	\$ 2.52
Goodwill amortization	(0.36)	(0.32)
Earnings before net capital gains and other items	2.66	2.20
Net capital gains and other items	14.98	0.05
Earnings per share	\$ 17.64	\$ 2.25

The weighted average number of shares outstanding for earnings per share calculation purposes was 32.8 million for fiscal 2001, compared to 37.8 million for fiscal 2000. In August 2000, a normal course issuer bid expired, under which 974,850 Class A common shares were bought back by the company. All of these shares were repurchased at prevailing market prices during fiscal 2000. In March 2000, Empire repurchased 5,503,900 Class A common shares through the completion of a substantial issuer bid. Total common shares outstanding at the end of fiscal 2001 were 32.8 million, unchanged from the end of fiscal 2000.

#### Revenue and Operating Income

(\$ in millions)	2001	2000	Change
Revenue			
Food Distribution <sup>(1)</sup>	\$ 11,370.5	\$ 11,006.1	3.3%
Real Estate	165.8	157.1	5.5%
Investment and Other	49.1	46.0	6.7%
Inter-segment elimination	(46.8)	(44.7)	4.7%
	\$ 11,538.6	\$ 11,164.5	3.4%
Operating Income			
Food Distribution	\$ 262.9	\$ 265.6	(1.0)%
Real Estate	82.3	70.1	17.4%
Investment and Other	36.3	43.9	(17.3)%
Corporate	(7.2)	(5.4)	(33.3)%
	\$ 374.3	\$ 374.2	0.0%

(1) Adjusting for the additional week in fiscal 2000, revenue increased 5.3%.

#### FINANCIAL INFORMATION BY QUARTER

(in millions, except per share information)

##### Operations

##### Revenue

##### Earnings before goodwill,

net capital gains and other items

##### Goodwill amortization

##### Earnings before net capital gains and other items

##### Net capital gains (loss) and other items

##### Net earnings

April 2001	Jan. 2001	Oct. 2000	July 2000	April 2000	Jan. 2000	Oct. 1999	July 1999
\$ 2,887.2	\$ 2,863.7	\$ 2,891.7	\$ 2,896.0	\$ 2,895.4	\$ 2,706.8	\$ 2,759.0	\$ 2,803.3
27.4	20.3	23.7	28.9	23.9	24.9	23.6	24.3
(2.9)	(2.9)	(2.9)	(3.0)	(3.0)	(3.1)	(3.0)	(3.0)
24.5	17.4	20.8	25.9	20.9	21.8	20.6	21.3
8.1	(3.9)	0.9	486.4		0.5	1.6	0.1
32.6	13.5	21.7	512.3	20.9	22.3	22.2	21.4



**Revenue** Revenue increased 3.4% in fiscal 2001, to \$11.53 billion, an increase of \$374.1 million over fiscal 2000, primarily as a result of growth in the food distribution business and the real estate business. Food distribution revenue increased \$364.4 million or 3.3%. Adjusting for the extra week in fiscal 2000, revenue increased 5.3%. Same store sales for all food distribution banners grew by 3.7% in fiscal 2001, compared to same store sales growth in fiscal 2000 of 2.6%. Growth in real estate revenue was \$8.7 million or 5.5%.

**Operating Income** In fiscal 2001, operating income reached \$374.3 million compared to \$374.2 million in the prior year. The relatively unchanged result from the previous fiscal year was primarily attributable to growth in operating income in the real estate business being offset by the decrease in Empire's share of income from equity accounted companies within its investment portfolio. With respect to our investments and other operations, Empire recorded a decrease in operating income of \$7.6 million from the prior year. This was primarily the result of the sale of the Hannaford investment, partially offset by an increase in contribution from the Wajax investment compared to the prior year. Operating income from other operations increased by \$0.8 million from the prior year, reflecting another year of improved performance by Empire Theatres.

#### OPERATING OVERVIEW & PERFORMANCE BY SEGMENT

##### FOOD DISTRIBUTION

**Overview** Our food distribution business is carried on through our 62% ownership in Sobeys, the second largest food organization in Canada in terms of sales (\$11.37 billion), number of corporate and franchised stores (1,351 stores), and geographic presence. Through its ownership of SERCA, Sobeys is also Canada's largest and the only national foodservice distributor. In fiscal 2001, food distribution accounted for 98.5% of Empire's consolidated operating revenues, and 89.4% of operating cash flow.

At year-end, Sobeys operated 402 corporate stores and 949 franchised stores. Of the corporate stores, 129 operate under the Sobeys banner and 47 stores operate under the IGA banner. The largest franchised banner is IGA, with 494 franchised stores. The proportion of total retail store square footage by region across Canada is as follows: 16.7% Western, 33.1% Ontario, 29.1% Quebec, and 21.1% Atlantic.

**Financial Performance** Food distribution revenue increased 3.3% in fiscal 2001 to reach \$11.37 billion, an increase of \$364.4 million over fiscal 2000 results. Adjusted for the extra week in fiscal 2000, food distribution revenues increased 5.3%. The increase is primarily the result of same store sales growth, food price inflation and the effect of additional store selling area resulting from capital spending. Operating income for the year decreased by \$2.7 million or 1.0%, to \$262.9 million or 70.2% of Empire's total operating income. The decrease in operating income is attributable to a 10 basis point reduction in the trading margin (EBITDA/sales) partially offset by the 3.3% increase in revenues. EBITDA increased from \$363.6 million in 2000 to \$364.1 million in fiscal 2001, an increase of 0.1%. The trading margin (EBITDA/sales) decreased to 3.20% in fiscal 2001 from 3.30% in fiscal 2000. Same stores sales growth was 3.7% in fiscal 2001 compared to 2.6% in the prior year.

Food distribution's contribution to Empire's net earnings equaled \$24.8 million in 2001, a decrease of \$24.5 million or 49.7% from the \$49.3 million contribution recorded in 2000. This decrease is attributable to: (i) the decrease in income from operations previously mentioned; and (ii) the \$30.3 million restructuring charge.

**Restructuring Charge** On January 24, 2001, Sobeys announced that it would discontinue further development and implementation of its enterprise-wide software and systems initiative, resulting in a net restructuring expense, after-tax and minority interest, for Empire of \$30.3 million. The software has

#### FINANCIAL INFORMATION BY QUARTER

(\$ per share)

##### Per Share Information

Earnings from before goodwill,

net capital gains and other items

Goodwill amortization

Earnings before net capital gains and other items

Net capital gains (loss) from other items

Net earnings

Fully diluted earnings per share

Weighted average number of shares outstanding (millions)

April 2001	Jan. 2001	Oct. 2000	July 2000	April 2000	Jan. 2000	Oct. 1999	July 1999
\$ 0.82	\$ 0.62	\$ 0.72	\$ 0.86	\$ 0.66	\$ 0.64	\$ 0.61	\$ 0.61
(0.09)	(0.09)	(0.09)	(0.09)	(0.08)	(0.08)	(0.08)	(0.08)
0.73	0.53	0.63	0.77	0.58	0.56	0.53	0.53
0.25	(0.13)	0.03	14.83	—	0.01	0.04	—
0.98	0.40	0.66	15.60	0.58	0.57	0.57	0.53
0.98	0.40	0.66	15.60	0.58	0.57	0.57	0.53
32.8	32.8	32.8	32.8	35.0	38.2	38.9	39.2



been phased out of 30 corporate Sobeys stores in Ontario. The operations of Sobeys Quebec, Sobeys West, SERCA Foodservice and the remaining 379 stores in Ontario had not been converted to the new enterprise-wide system. The Company has identified alternate software options to meet business requirements.

**Common Share Issue** In fiscal 2001, Sobeys announced an agreement with a syndicate of underwriters under which the underwriters agreed to purchase from treasury 9,174,312 common shares of Sobeys to be issued pursuant to a prospectus filed in all provinces of Canada. Empire subsequently purchased 5,688,073 of these shares at a price of \$27.25 per share in order to maintain its 62% proportionate share ownership of Sobeys.

**Synergies** Sobeys' integration model for the Oshawa acquisition was based on realizing pre-tax integration savings of \$70 million by the end of the 2001 fiscal year. Sobeys exceeded both its first year target of \$35 million by the end of fiscal 2000 and its \$70 million target by the end of fiscal 2001.

**Outlook** Looking forward to fiscal 2002, management believes the food distribution operation is well positioned for strong growth in all of its markets. The renewed focus on store modernization, supply chain efficiency improvements, migration of best practices throughout Sobeys, development of core competencies, and other Sobeys' initiatives to re-energize and revitalize their organization should provide significant potential for further growth and profitability.

Planned company-wide spending for fiscal 2002 is \$550 to \$600 million. Management is confident that this spending level, along with various initiatives designed to build on core competencies in areas such as category management, private label brands and banner positioning, will result in significant earnings growth going forward.

The Canadian grocery distribution industry operates under a mature market structure. Competition continues to be intense, however there are currently no major price wars as large players continue to concentrate on integration issues. Sobeys' focus in this business environment is to: (i) emphasize the effective optimization of its operations; (ii) reduce product and operational costs; (iii) expand and modernize its banners; (iv) improve distribution network efficiencies; and (v) enhance banner positioning.

Sobey's long-term strategic goal is to achieve at least a number two position in all of its major markets through a combination of organic growth and acquisitions. Following a significant change in senior management in fiscal 2001 with the appointment of Bill McEwan as President and CEO, Sobeys' near-term priorities include migration of existing merchandising and purchasing applications to a new platform, completion of the SERCA Ontario integration, realization of the full benefits from its consolidated distribution systems, simplifying the overall organizational structure, advancement of the category management functions and optimization of the size of the company by taking advantage of additional economies of scale.

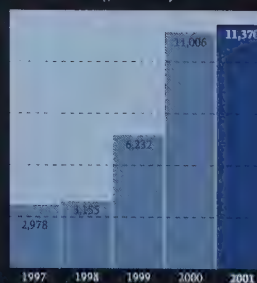
#### REAL ESTATE

**Overview** The real estate operations are focused primarily on the acquisition, development and management of a portfolio of properties that complements or supports Empire's food distribution and other retail operations.

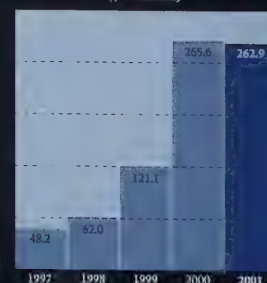
At the end of fiscal 2001, Empire's real estate operations totaled 12.0 million square feet under ownership, relatively unchanged from the prior year. Operations are conducted through 100%-owned Atlantic Shopping Centres Limited (ASC) and 100%-owned Sobey Leased Properties Limited (SLP). ASC's portfolio consists of 31 shopping centres with a gross leaseable area of 5.9 million square feet and 12 office buildings

FOOD DISTRIBUTION REVENUE INCREASED 3.3% TO A RECORD \$11.37 BILLION IN FISCAL 2001. OPERATING INCOME REMAINED RELATIVELY UNCHANGED LARGELY AS A RESULT OF THE INFORMATION SYSTEMS DISRUPTION IN THE THIRD QUARTER.

Food Distribution Revenue  
(\$ in millions)



Food Distribution Operating Income  
(\$ in millions)





with a gross leaseable area of 1.6 million square feet. SLP's portfolio consists mainly of freestanding food stores and attached shopping plazas, together, having a total gross leaseable area of 4.5 million square feet.

At Empire's fiscal year-end, the real estate portfolio consisted of 84% retail space and 16% office space. More than 30 percent of total retail square footage is leased to Sobeys or another Empire subsidiary. This degree of integration creates strategic advantages for both landlord and tenant. For the retail operations, it provides added flexibility to expand or modify properties in response to competitive developments. For real estate operations, it provides top-quality anchor tenants for our shopping centres, as well as a stable source of rental revenue and cash flow.

The occupancy rate as at April 30, 2001 was 93.4%, compared to 91.8% a year earlier. In the 2001 fiscal year, an additional 287,000 square feet was leased. This included the leasing of a 45,000 square foot space in the Loch Lomond Mall at Saint John, New Brunswick, to Client Logic for a call centre. In each of the next five years, no more than 9% of total leased space will come up for renewal.

Major developments completed during fiscal 2001 included (i) 5-plex theatre projects, for Empire Theatres at Summerside, Prince Edward Island and Douglastown, New Brunswick; (ii) completion of a Scotiabank Call Centre expansion, MTT Call Centre expansion and parkade renovations at Scotia Square, Halifax, Nova Scotia; (iii) completion of new call centres at Riverview Mall, Riverview, New Brunswick and Loch Lomond Mall, Saint John, New Brunswick; (iv) completion of a 26,000 square foot expansion to the Zellers store at the Bridgewater Mall, Bridgewater, Nova Scotia; (v) a new Sobeys food store in Stratford, Prince Edward Island; and (vi) modernization of County Fair Mall in New Minas, Nova Scotia.

**Financial Performance** Revenue from real estate operations increased 5.5% to \$165.8 million from \$157.1 million in fiscal 2000. The real estate operation contributed \$82.3 million or 22.0% of Empire's total operating income in fiscal 2001, up 17.4% from \$70.1 million in fiscal 2000. This performance is the result of successful development activities, higher net effective rental rates and lower costs (as reflected by a basis point reduction in the operating cost to revenue ratio from the prior year). Real estate's contribution to Empire's net earnings decreased by \$38.2 million in fiscal 2001 from the prior year. This decrease is attributable to the \$45.9 million after-tax write-down of certain real estate assets, partially offset by the improved operating income result in fiscal 2001. Operating cash flow for the real estate operations increased by 19.3% in 2001 to reach \$39 million, equivalent to 13.5% of total Empire operating cash flow.

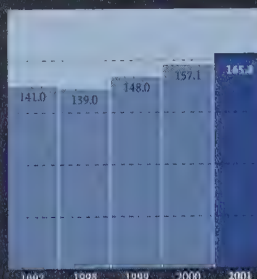
**Genstar Acquisition** In February 2001, Empire acquired a 40% interest in Genstar for \$29.0 million. Genstar is a residential land development partnership, with operations primarily in high growth communities in western Canada.

**Write-Down of Certain Assets** As a result of a strategic review of the carrying value of real estate assets completed during the first quarter of fiscal 2001, Empire determined that a write-down of the book value of certain real estate assets was appropriate. Accordingly, the carrying value of certain real estate assets was reduced by \$73.7 million (\$45.9 million after-tax).

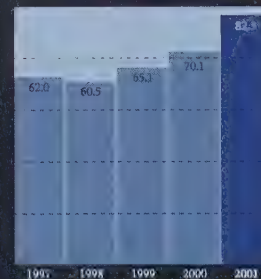
**Outlook** The Company plans continued growth for its real estate operations, primarily through development projects that support Empire's food business. During the coming year the leasing team will continue to aggressively pursue leasing opportunities. As a result, the unit occupancy level is expected to improve. Because of these factors Empire views the outlook for its real estate business as positive. Going forward, the real

EMPIRE'S REAL ESTATE OPERATIONS POSTED  
RECORD REVENUES AND OPERATING INCOME  
THANKS TO SUCCESSFUL DEVELOPMENT  
ACTIVITIES, HIGHER NET EFFECTIVE RENTAL  
RATES AND LOWER COSTS

Real Estate Revenue  
(\$ in millions)



Real Estate Operating Income  
(\$ in millions)





estate operation will continue to undertake additional development initiatives as required in order to strengthen its position in core markets.

#### INVESTMENTS & OTHER OPERATIONS

**Overview** The third component of Empire's business is its investments, consisting of an investment portfolio of short and long-term equity investments and investment in other operations.

Empire's investment portfolio carried a market value of \$593.3 million at April 30, 2001, on a cost base of \$534.6 million, resulting in an unrealized gain of \$58.7 million. At year-end, the investment portfolio consisted of:

#### Investment Portfolio

(\$ in millions Canadian)

	Market Value	Cost	Percentage of Portfolio
Delhaize Group	\$ 271.0	\$ 200.2	45.7%
Wajax Limited	41.0	61.4	6.9%
Other Common Equity			
Investments	177.1	167.8	29.8%
Preferred Share Investments	94.9	96.4	16.0%
Other Investments	9.3	8.8	1.6%
Total Investments	\$ 593.3	\$ 534.6	100%

Empire's direct debt matched to these investments equaled \$153.0 million at year-end, equivalent to 26% of total investment market value. Management considers a ratio of debt to investment value of no greater than 30% as prudent.

Other operations consist primarily of wholly owned Empire Theatres, the leading movie exhibitor in Atlantic Canada with 126 screens in 20 locations.

**Investment Returns** The time weighted annual return on investments in fiscal 2001 was 29.3%, driven primarily from increased market value of Etablissements Delhaize

Freres et Cie "Le Lion" S.A. ("Delhaize Group") shares and above-market performance for other common equity investments.

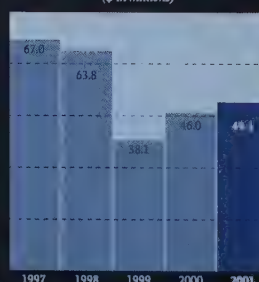
**Financial Performance** Investments and other operations contribution to Empire's operating earnings (before net capital gains and other items) decreased by \$9.4 million or 33.8% from the prior year. The decrease is primarily attributed to the inclusion of equity accounted earnings contribution from Empire's investment in Hannaford for only the first quarter of the year versus the full year in fiscal 2000. In fiscal 2001, equity earnings from Hannaford amounted to \$9.9 million versus \$35.7 million in fiscal 2000. Equity accounted earnings contribution from Wajax amounted to \$5.8 million in fiscal 2001, an increase of 164% from the \$2.2 million reported in fiscal 2000.

Other operations' contribution to Empire's operating earnings increased by \$0.5 million or 19.2% from the prior year. This increase is primarily the result of strong revenue growth and effective expense control at wholly owned Empire Theatres.

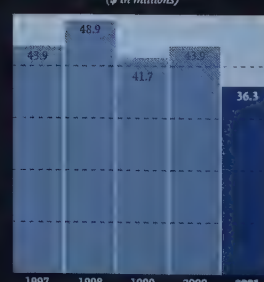
**Sale of Hannaford Bros. Co.** On July 28, 2000, Empire and its subsidiaries completed the sale of their interest in Hannaford by transferring approximately 24.6% of Hannaford's outstanding common shares to Delhaize America, Inc. ("Delhaize America") in exchange for approximately 11.9 million non-voting class A common shares of Delhaize America and US\$501 million in cash. The US cash was subsequently converted to CDN\$745 million and re-deployed as follows: (i) \$220 million, or 29.5%, to buyback Empire Class A common shares; (ii) \$14 million, or 1.9%, to buyback Empire Series 2 preferred shares; (iii) \$51 million, or 6.8%, to purchase Sobeys common shares; (iv) \$80 million, or 10.7%, to purchase a portfolio of high quality, preferred share investments; (v) \$171 million, or 23.0%, to repay debt; (vi) \$183 million, or

REVENUE FROM INVESTMENTS AND OTHER OPERATIONS INCREASED \$3.1 MILLION COMPARED TO FISCAL 2000. THIS INCREASE WAS THE RESULT OF IMPROVED PERFORMANCE FROM EMPIRE THEATRES. OPERATING INCOME REFLECTS THE LOSS OF EQUITY EARNINGS FROM HANNAFORD, PARTIALLY OFFSET BY HIGHER EARNINGS FROM THE BALANCE OF THE INVESTMENT PORTFOLIO.

Investments and Other Operations Revenue (\$ in millions)



Investments and Other Operations Operating Income (\$ in millions)





24.6%, to purchase a portfolio of high quality, liquid, common share investments; and (vii) \$26 million, or 3.5%, to unwind cross currency swaps previously held to hedge against foreign exchange risk associated with the Hannaford investment.

**Delhaize Group** On September 7, 2000, Delhaize Group, the largest shareholder of Delhaize America, offered to exchange shares of Delhaize Group for all of the outstanding Class A and Class B common shares of Delhaize America. A committee of independent directors of Delhaize America considered the offer and recommended acceptance with a conversion rate of 0.4 shares of Delhaize Group for each share of Delhaize America. This recommendation was subsequently ratified by the board of directors of Delhaize America and accepted by the majority of its shareholders and the Delhaize Group on April 24, 2001. As at year-end, Empire held 3.32 million shares of Delhaize Group with a market value in Canadian dollars of \$271.0 million, equal to 45.7% of the Company's total investment portfolio value.

As stated in their corporate press releases, Delhaize Group is a food retailer headquartered in Belgium and listed on Euronext Brussels and the New York Stock Exchange. At the end of the first quarter of 2001, Delhaize Group's sales network consisted of 2,402 stores in ten countries on three continents. In 2000, Delhaize Group achieved sales of EUR\$18.2 billion (US\$16.8 billion) and net earnings of EUR\$160.7 million (US\$148.1 million). Delhaize Group employs approximately 152,000 people.

**Wajax Limited** Empire has a 48% equity interest in Wajax with a market value at April 30, 2001 of \$41.0 million (versus \$35.0 million on April 30, 2000). As stated on their corporate website, Wajax is comprised of three core distribution businesses engaged in the sale and after-sales parts and service support of mobile equipment, diesel engines and industrial

components through a network of approximately 140 branches across Canada and the western United States. Its customer base spans the natural resources, construction, transportation, manufacturing, industrial processing and utilities sectors.

As a result of a strategic review of the carrying value of investments completed during the first quarter of fiscal 2001, Empire determined that a write-down of the book value of its Wajax investment was appropriate. Accordingly, the carrying value of Wajax was reduced by \$47.8 million (\$41.2 million after tax) or approximately 40% of its original book value.

For its fiscal year ended December 31, 2000, Wajax reported revenue of \$1,147 million, a \$109.1 million or 11% increase over the prior year. Wajax's fiscal 2000 net earnings before unusual items equaled \$11.8 million, up 195% from the \$4.0 million recorded the prior year. In fiscal 2000, Wajax posted a net loss of \$9.7 million after including unusual items, a decrease of \$13.4 million from fiscal 1999.

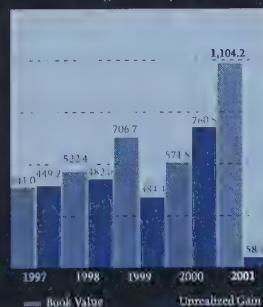
Wajax reported an unusual loss in its fiscal 2000 year of \$21.4 million, primarily the result of a charge to dispose of its Pacific North Equipment business unit.

On May 8, 2001, subsequent to Empire's fiscal year-end, Wajax reported first quarter revenue of \$271.4 million, an increase of 3.0%, and net earnings of \$1.3 million, an increase of 63% from the first quarter last year. Wajax has noted that the company is continuing to realize the positive effects of business building and cost reduction initiatives that were put in place in 1999.

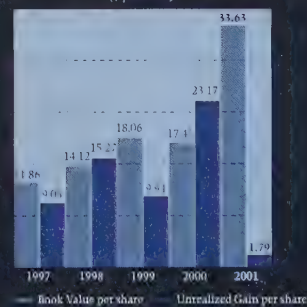
**Common Equity and Preferred Share Investment Portfolio** The Company's investment and other operations component includes a common equity and preferred share investment portfolio with a market value of \$272.0 million at April 30, 2001, on a cost base of \$264.2 million. The portfolio is liquid in nature and consists of a diversified mix of high

BOOK VALUE PER SHARE INCREASED 93% IN FISCAL 2001, PRIMARILY AS A RESULT OF THE CRYSTALLIZATION OF THE UNREALIZED GAIN IN OUR HANNAFORD BROS. CO. INVESTMENT AND THE REPURCHASE OF 6.5 MILLION EMPIRE COMMON SHARES FUNDED BY THAT TRANSACTION.

**Empire Company**  
Book Value and Unrealized Capital Gains  
(\$ in millions)



**Empire Company**  
Book Value and Unrealized Capital Gains  
(\$ per share)



quality, Canadian and U.S. investments with strong historical performance. No one investment in this portfolio exceeds 5.0% of Empire's total investment value.

<b>Investment Income</b>				
(\$ in millions)	2001	2000	Change	
Dividend and interest income	\$ 14.1	\$ 0.3	4,600%	
Share of income of companies accounted for by the equity method				
Hannaford Bros. Co.	9.9	35.7	(72.3)%	
Wajax Limited	5.8	2.2	163.6%	
	15.7	37.9	(58.6)%	
Total Investment Income	\$ 29.8	\$ 38.2	(22.0)%	

Dividend and interest income was \$14.1 million compared to \$0.3 million in fiscal 2000. This increase is attributed to the dividend income earned from the common equity and the preferred share investment portfolio. These investment portfolios were established in fiscal 2001 with cash proceeds from the sale of the Hannaford investment.

<b>Unrealized Gain on Investment Portfolio</b>		
(\$ in millions)	2001	2000
Market Value	\$ 593.3	\$ 1,166.1
Book Value	534.6	405.6
Unrealized Gain	\$ 58.7	\$ 760.5

Excluding the Hannaford investment, the market value of investments at the end of the 2000 fiscal year equaled \$70.7 million, with an unrealized loss of \$66.6 million.

Net capital gains generated from investments and other operations equaled \$568.3 million or \$17.33 per share in fiscal 2001, an increase of \$566.3 million from last year's recorded net capital gains of \$2.0 million or \$0.05 per share. This increase was primarily the result of the sale of the Hannaford investment. Net capital gains on the sale of liquid investments amounted to \$16.0 million in fiscal 2001 versus \$2.4 million in fiscal 2000.

**Outlook** The loss of Hannaford equity earnings as a result of the sale of our interests in that company had a significant impact on fiscal 2001 equity earnings. Going forward, investment income is expected to grow on the strength of continued appreciation by our investment portfolio.

Empire Theatres' outlook remains highly dependent on the quality and cost of films. Based on the quality of film releases expected in fiscal 2002, an experienced management team, and planned screen development, Empire looks forward to continued growth in this business.

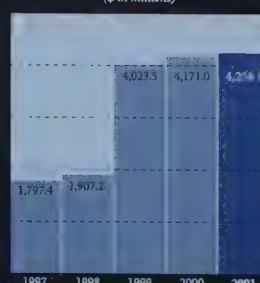
#### CONSOLIDATED FINANCIAL POSITION

**Assets** Total assets at year-end of \$4,254.3 million represent a \$83.3million or 2.0% increase over fiscal 2000. Total assets in food distribution decreased 0.9%, from \$2,857.3 million at April 30, 2000 to \$2,830.2 million at April 30, 2001. Total assets in real estate decreased \$2.1 million or 0.2%, from \$846.6 million at April 30, 2000 to \$844.5 million at April 30, 2001.

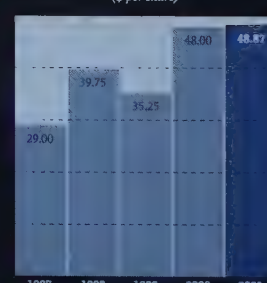
**Net Asset Value** At April 30, 2001, management calculates Empire's consolidated net asset value at \$1,603 million (\$48.87 per Empire common share), an increase of \$29 million or 1.8% from a calculated consolidated net asset value at April 30, 2000 of \$1,574 million (\$48.00 per share). Management calculates that on a per share basis, net asset value has increased by \$0.87 per Empire share or 1.8% over the prior year.

TOTAL ASSETS INCREASED \$83.3 MILLION OR 2.0% IN FISCAL 2001 TO A RECORD \$4,254.3 MILLION, PRIMARILY REFLECTING THE CRYSTALLIZATION OF THE HANNAFORD GAIN AND SUBSEQUENT RE-DEPLOYMENT OF THOSE PROCEEDS. NET ASSET VALUE PER COMMON SHARE INCREASED FROM \$48.00 TO \$48.87 REFLECTING HIGHER NET ASSET VALUE IN FOOD DISTRIBUTION AND REAL ESTATE OPERATION.

**Empire Company**  
Total Assets  
(\$ in millions)



**Empire Company**  
Net Asset Value Per Share  
(\$ per share)





The table below presents the composition of value by division. This net asset value calculation values Sobeys common shares and Delhaize Group common shares at their respective April 30, 2001 market values. With Delhaize Group, value is expressed in Canadian equivalent dollars. For each dollar increase in Sobeys' share price, Empire's net asset value increases by \$1.23 per share.

#### Net Asset Value

	April 30, 2001		April 30, 2000	
	\$ Value	% of Total	\$ Value	% of Total
Food Distribution	\$ 896	51%	\$ 716	34%
Real Estate *	235	13%	196	9%
Investments & Other **	625	36%	1,191	57%
	\$ 1,756	100%	\$ 2,103	100%
Less: corporate debt	(153)		(529)	
Net asset value	\$ 1,603		\$ 1,574	
Net asset value per share	\$ 48.87		\$ 48.00	

\* Valued at 7 times funds from operations for fiscal 2001 and 2000, respectively.

\*\* Investments are valued at stated market values except for Empire Theatres, which is valued at four times EBITDA.

At April 30, 2001, the book value of Empire's common shares was \$33.63 compared to \$17.45 at April 30, 2000.

**Accounting Policy Changes Implemented in Fiscal 2001** The Canadian Institute of Chartered Accountants ("CICA") issued two new accounting standards in the past year, section 3465 "Income Taxes" and Section 3461 "Employee Future Benefits", effective for fiscal years beginning on or after January 1, 2000.

Effective May 1, 2000, the company changed its method of accounting for employee future benefits to conform with the

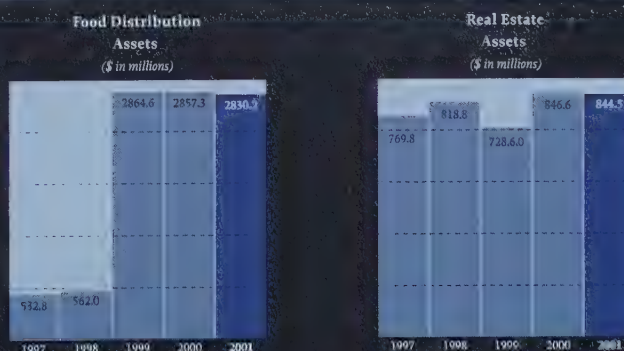
recommendations of the CICA. This change has been applied on a retroactive basis without restatement of the prior years. Accordingly, the opening retained earnings has been decreased by \$2.0 million (net of minority interest of \$1.3 million), accrued benefit obligations have increased by \$59.1 million, goodwill has increased by \$26.2 million (net of amortization) and future tax liabilities have decreased by \$24.4 million.

Effective May 1, 2000, the Company adopted the CICA new handbook section 3465 relating to future income taxes. This change has been applied retroactively through an adjustment to retained earnings of \$2.8 million (net of minority interest of \$0.5 million). Prior periods have not been restated as permitted under the standard.

#### CAPITAL RESOURCES & LIQUIDITY

**Debt and Interest Coverage** Empire finances a significant portion of its assets through the use of debt, the majority of which is fixed-rate and long-term in nature. Total fixed-rate, long-term debt at year-end was \$1,197.3 million, including the current portion of long-term debt. Of this fixed-rate, long-term debt, 55% was directly related to the food distribution segment and 45% was directly related to the real estate segment. The investment segment carries no long-term debt. Given that the underlying investments are highly liquid in nature, financing matched to the investment segment is short term in nature. Empire finances its long-term assets with fixed-rate debt, thereby reducing both interest rate and refinancing risk.

FOOD DISTRIBUTION AND REAL ESTATE ASSETS, WHICH REMAINED RELATIVELY UNCHANGED IN FISCAL 2001. CONTINUE TO PROVIDE A SOLID FOUNDATION FOR FUTURE GROWTH.



The table below presents the debt to total capital ratio and interest coverage ratio for each segment of Empire along with consolidated totals.

	Food Distribution	Real Estate	Investments & Other Operations	Total Empire
<b>April 30, 2001</b>				
Debt to total Capital <sup>*</sup>	52.3%	76.4%	43.6%	46.4%
Interest Coverage <sup>**</sup>	3.56	1.58	1.81	2.63
<b>April 30, 2000</b>				
Debt to total Capital <sup>*</sup>	53.1%	78.6%	37.9%	61.4%
Interest Coverage <sup>**</sup>	2.99	1.35	2.05	2.35

\* Funded debt (including accounts receivable securitization) at book value divided by total capitalization. Total capitalization excludes minority interest and deferred taxes. Funded debt is net of the estimated after-tax proceeds on the sale of investments.

\*\* Operating income divided by interest expense.

Operating income remained stable in fiscal 2001 compared to the prior year, while interest expense decreased by 11.0% due to lower borrowing costs and short-term cash flow management initiatives. The net effect of these factors was an increase in Empire's overall interest coverage to 2.63 times from 2.35 times in fiscal 2000. Funded debt (less estimated after-tax proceeds on the sale of investments) to total capital decreased by 15 percentage points to 46.4% from 61.4% last year. Total funded debt, net of cash and estimated after-tax proceeds on sale of investments, equaled \$956.5 million at April 30, 2001, an increase of \$51.5 million or 5.7% from \$905.0 million last year.

**Capital Expenditures** In fiscal 2001, on balance sheet capital expenditures of \$292.6 million represented an increase of 18.6% over fiscal 2000.

The table below presents the balance sheet capital expenditures over the last two years by business segment.

(\$ in millions)	2001	2000
Food Distribution	\$ 269.9	\$ 185.8
Real Estate	20.6	52.6
Investments & Other	2.1	8.3
Total Capital Expenditures	\$ 292.6	\$ 246.7

During fiscal 2001, company-wide capital spending totaled \$505.0 million for the food distribution segment. This capital spending, which includes expenditures by Sobeys, franchisees and third parties, represents an increase of \$118.8 million or 31% over the \$386.2 million in total spending for fiscal 2000. Planned company-wide spending for fiscal 2002 is \$550 million to \$600 million. The bulk of the expenditures will be devoted to strengthening the corporate retail and franchised retail store networks across the country.

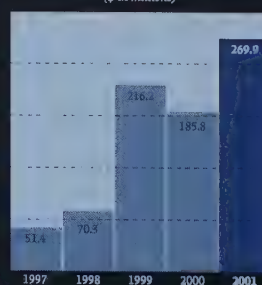
**Liquidity** Short-term liquidity remains strong as a result of internally generated cash flow, net cash on hand, unutilized-bank credit facilities and short-term investments. On a non-consolidated basis, Empire maintains authorized bank lines for operating, general and corporate purposes of \$335 million, of which 46% was utilized at year-end. Financial instruments are used from time to time to manage short-term interest rate fluctuations on underlying short-term lines of credit.

At year-end, on a consolidated basis, the company's authorized bank credit facilities exceeded borrowings by \$572 million. The Company, at its option, can convert \$250 million of its authorized revolving-term credits into non-revolving fixed-rate financing for a term up to 30 months.

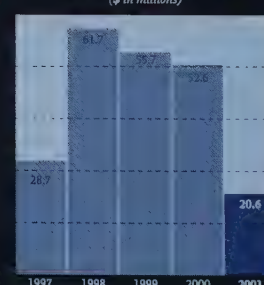
Empire maintains direct access to capital markets for longer-term capital resources. The real estate operation generally

ON BALANCE SHEET CAPITAL EXPENDITURES INCREASED 18.6% IN FISCAL 2001 TO A RECORD \$292.6 MILLION, REFLECTING AN INCREASED FOCUS ON EMPIRE'S HIGH-GROWTH FOOD DISTRIBUTION BUSINESS.

**Food Distribution  
Capital Expenditures**  
(\$ in millions)



**Real Estate  
Capital Expenditures**  
(\$ in millions)





structures its long-term obligations with fixed rates and fully amortized debt to reduce interest rate and refinancing risk. The long-term financial flexibility of the Company is enhanced through access to capital markets. Empire maintains a corporate unsecured debt rating of BBB- (stable) from Standard & Poor's and BBB (negative trend) from Dominion Bond Rating Service Limited.

On June 22, 2000, Sobeys filed a short-form shelf prospectus to establish an unsecured medium-term notes program, which permits the issuance of up to \$500 million in medium-term notes (MTN's), from time to time over the next two years. On June 29, 2000, Sobeys refinanced \$810 million in secured bank debt by: (a) issuing \$175 million unsecured Series A MTN's with an interest rate of 7.60%, maturing November 1, 2005; (b) securitizing \$210 million in trade receivables; and (c) negotiating a non-revolving \$250 million unsecured bank credit facility to be repaid over five years and a \$300 million unsecured revolving bank credit facility. Sobeys achieved an annual reduction in interest expense of approximately \$9.0 million as a result of the refinancing program.

On September 15, 2000, Sobeys redeemed series M, N, and O Sobeys Group Inc. sinking fund debentures totaling \$8.75 million, resulting in a balance of \$91.8 million. In October 2000, Sobeys issued a \$100 million Series B three-year MTN at an effective interest rate of 7.05%.

In November 2000, Sobeys announced an agreement with a syndicate of underwriters who agreed to purchase from treasury 9,174,312 common shares of Sobeys to be issued pursuant to a prospectus filed in all provinces of Canada. Empire subsequently purchased 5,688,073 of these shares at a price of \$27.25 per share in order to maintain its 62% proportionate share ownership of Sobeys. Net proceeds from the offering of \$245.9 million were primarily used by Sobeys to reduce funded debt and fund capital expenditures.

Empire redeemed 262,352 Series 3 Preferred Shares at a price of \$25 plus accrued and unpaid dividends of \$0.50 per share on January 23, 2001. The total redemption price was \$6,558,800 plus accrued and unpaid dividends of \$131,176. The shares redeemed represented all of the outstanding Series 3 Preferred Shares of Empire.

Empire redeemed 545,000 Series 2 Preferred Shares at redemption price of \$13.6 million during fiscal 2001. At April 30, 2001, there were 431,900 Series 2 Preferred Shares outstanding.

#### RISK & RISK MANAGEMENT

Empire conducts business through its food distribution, real estate and theatre operations, each of which has its own risk profile and risk management strategy.

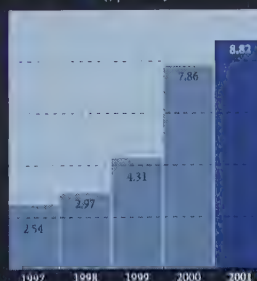
Empire's retail food distribution and foodservice businesses are effectively diversified through the geographic scope of its operations. Sales in any one operation (Western, Ontario, Quebec, Atlantic, Foodservice) do not exceed 26% of total sales. This ensures that the Company is not overly exposed should competition in a particular region intensify or the outlook for an area change. Management is committed to controlling operating risks through continual innovation (store format and positioning, retail brand development, customer loyalty initiatives), and through the realization of lower costs from increasing economies of scale.

Empire's food distribution business utilizes a variety of store formats and store banners in order to ensure the optimum fit to each market area. By operating across Canada through 402 corporate stores and 949 franchised stores, by servicing thousands of independent accounts and through vertical integration of certain operations, the food distribution division has effectively minimized its exposure to regional economic risk.

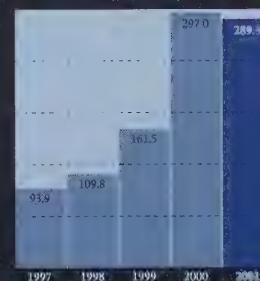
Empire's real estate operations generate a stable source of cash flow and income from ongoing tenant rent payments.

WHILE OPERATING CASH FLOW DECLINED SLIGHTLY, ON A PER SHARE BASIS, OPERATING CASH FLOW REACHED A RECORD \$8.82 LARGELY AS A RESULT OF THE RE-PURCHASE OF EMPIRE COMPANY LIMITED SHARES DURING FISCAL 2000 AND 2001.

Empire Company  
Operating Cash Flow Per Share  
(\$ per share)



Empire Company  
Operating Cash Flow  
(\$ in millions)



Continued growth of rental income is dependent on renewing expiring leases and finding new tenants to fill vacancies at prevailing rental rates, thereby ensuring an attractive return on our investment. The success of the real estate portfolio is subject to general economic conditions, the supply and demand for rental property in key markets served and the availability of attractive financing to expand the real estate portfolio where deemed prudent. During fiscal 2001, our real estate operations encountered relatively positive economic conditions in our key markets and a relative lack of new rental space resulted in improved rental rates.

Empire's Board of Directors has approved a formal debt management policy, which details certain directives to ensure that prudent financial management is adhered to. The Board has also approved a hedge policy for the use of defensive interest rate and currency risk management instruments. This policy also has established guidelines regarding counter-party risk. In the ordinary course of managing its debt, Empire and its operating companies have entered into various financial instruments, which are not reflected on the balance sheet, to reduce or eliminate exposure to interest rate risks. Interest rate swaps, and forward rate contracts are used to hedge or reduce the exposure to floating interest rate movements. At April 30, 2001, \$25 million in short-term obligations were covered by an extendable fixed rate interest rate swap. The instrument was effective for a one year period from February 2001 at a fixed interest rate of 4.98%. The instrument is extendable for any additional year at the option of the issuer upon maturity.

Concerning long-term debt management, Empire has not entered into interest rate or currency swaps.

To reduce the foreign exchange risk associated with our investment in the Delhaize Group, the Company has hedged its currency risk by entering into certain short-term borrowing by

availing US bankers' acceptances. At April 30, 2001, the Company had US \$67.2 million bankers' acceptance short-term obligations.

Empire's operating companies regularly complete a comprehensive environmental compliance report and the Company is not aware of any significant environmental liabilities. All operating companies are self-insured for limited risks while maintaining comprehensive loss prevention and management programs to mitigate retained risks. The range of non-insured related risk exposure is not expected to be material to the overall operations of the Company.

Certain forward-looking statements are included in this annual report relating to capital expenditures, cost reduction and operating performance. Such statements are based on management's assumptions and beliefs in light of information currently available. These forward-looking statements are subject to inherent uncertainties and risks, including but not limited to: business and economic conditions generally in the Company's operating regions; pricing pressures and other competitive factors; results of the Company's ongoing efforts to reduce costs; and the availability and terms of financing. Consequently, actual results and events may vary significantly from those included in or contemplated or implied by such statements.

#### OUTLOOK

Management has projected stronger financial performance in fiscal 2002, primarily as a result of continued growth in contribution from each operating company, along with appreciation in investments. We have assumed the continuation of intense competition in our projections and have factored in conservative cost of capital assumptions. We are committed to growing value in each of our businesses and thereby, growing value in Empire Company Limited, on behalf of all shareholders.



## Management's Responsibility for Financial Reporting

Preparation of the consolidated financial statements accompanying this annual report and the presentation of all other information in the report is the responsibility of management. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect management's best estimates and judgements. All other financial information in the report is consistent with that contained in the financial statements.

The Board of Directors, through its Audit Committee, oversees management in carrying out its responsibilities for financial reporting and systems of internal control. The Audit Committee, which is chaired by and composed of non-management directors, meets regularly with financial management and external auditors to satisfy itself as to reliability and integrity of financial information and the safeguarding of assets. The Audit Committee reports its findings to the Board of Directors for consideration in approving the annual financial statements to be issued to shareholders. The external auditors have full and free access to the Audit Committee.



Paul D. Sobey  
President and Chief Executive Officer  
June 29, 2001



Paul V. Beesley  
Senior Vice President,  
Chief Financial Officer and Secretary  
June 29, 2001

## Auditors' Report

**TO THE SHAREHOLDERS OF EMPIRE COMPANY LIMITED** We have audited the consolidated balance sheet of Empire Company Limited as at April 30, 2001 and 2000, and the consolidated statements of earnings, retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at April 30, 2001 and 2000, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



New Glasgow, Nova Scotia  
June 18, 2001

Chartered Accountants

# Consolidated Balance Sheet

<i>April 30 (in millions)</i>	<b>2001</b>	2000
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 83.5	\$ 54.2
Receivables	428.9	487.8
Income taxes recoverable	—	18.2
Inventories	551.8	492.5
Prepaid expenses	48.0	55.1
Investments, at cost (quoted market value \$552.3; 2000 \$15.0)	473.2	13.8
	<b>1,585.4</b>	1,121.6
Investments, at equity (quoted market value \$41.0; 2000 \$1,151.1) (Note 2)	61.4	391.8
Current assets and marketable investments	<b>1,646.8</b>	1,513.4
Property and equipment (Note 4)	<b>1,654.3</b>	1,740.3
Other assets (Note 5)	953.2	917.3
	<b>\$ 4,254.3</b>	\$ 4,171.0
<b>LIABILITIES</b>		
<b>Current</b>		
Bank loans and notes payable (Note 6)	\$ 229.2	\$ 589.1
Payables and accruals	1,130.3	1,173.8
Income taxes payable	33.8	—
Future income taxes	16.4	—
Long term debt due within one year	89.0	92.8
	<b>1,498.7</b>	1,855.7
Long term debt (Note 7)	<b>1,108.3</b>	1,323.7
Deferred revenue	14.1	16.6
Employee future benefit obligation (Note 18)	60.8	—
Minority interest	406.9	312.6
Future income taxes	50.5	59.6
	<b>3,139.3</b>	3,568.2
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (Note 9)	193.4	212.1
Retained earnings	923.1	360.3
Foreign currency translation (Note 1)	(1.5)	30.4
	<b>1,115.0</b>	602.8
	<b>\$ 4,254.3</b>	\$ 4,171.0

See accompanying notes to the consolidated financial statements.

On behalf of the Board



Director



Director



## Consolidated Statement of Retained Earnings

<i>Year Ended April 30 (in millions)</i>	2001	2000
Balance, beginning of year, as previously reported	\$ 360.3	\$ 425.8
Adjustment relating to employee future benefits net of minority interest of \$1.3 (Note 1)	(2.0)	—
Adjustment relating to future income taxes, net of minority interest of \$0.5 (Note 1)	(2.8)	—
Balance, beginning of year, as restated	355.5	425.8
Net earnings	580.0	86.8
	935.5	512.6
Dividends paid		
Preferred shares	1.2	1.7
Common shares	11.2	10.4
Excess of purchase price paid over average paid-up value of common shares purchased for cancellation	—	140.0
Costs of purchasing common shares for cancellation	—	0.2
	12.4	152.3
Balance, end of year	\$ 923.1	\$ 360.3

See accompanying notes to the consolidated financial statements.

## Consolidated Statement of Earnings

<i>Year Ended April 30 (in millions except per share amounts)</i>	2001	2000
Revenue	\$ 11,538.6	\$ 11,164.5
Cost of sales, selling and administrative expenses	11,076.2	10,707.1
	462.4	457.4
Depreciation	117.9	121.4
	344.5	336.0
Investment income (Note 10)	29.8	38.2
Operating income	374.3	374.2
Interest expense		
Long term debt	115.0	128.9
Short term debt	27.1	30.7
	142.1	159.6
	232.2	214.6
Capital gains and other items (Note 11)	531.3	3.1
	763.5	217.7
Income taxes (Note 12)		
Current income tax expense	103.8	25.2
Future income tax expense	44.8	55.3
	148.6	80.5
	614.9	137.2
Minority interest	23.2	38.3
Earnings before goodwill amortization	591.7	98.9
Goodwill amortization (Note 1)	11.7	12.1
Net earnings	\$ 580.0	\$ 86.8
Earnings per share (Note 3)	\$ 17.64	\$ 2.25

See accompanying notes to the consolidated financial statements.

## Consolidated Statement of Cash Flows

<i>Year Ended April 30 (in millions except per share amounts)</i>	<b>2001</b>	2000
Cash provided by (used for) operations		
Net earnings	<b>\$ 580.0</b>	\$ 86.8
Items not affecting cash <i>(Note 13)</i>	<b>(289.5)</b>	211.9
Payment of preferred dividends	<b>(1.2)</b>	(1.7)
Operating cash flow	<b>289.3</b>	297.0
Net change in other current items	<b>(143.3)</b>	(24.5)
	<b>146.0</b>	272.5
Cash provided by (used for) financing		
Net increase (decrease) in bank loans	<b>(359.9)</b>	153.5
Net increase in construction loans	<b>0.2</b>	1.5
Proceeds from issue of long term debt	<b>553.1</b>	95.1
Revolving securitization of accounts receivable	<b>150.0</b>	—
Repayment of long term debt	<b>(772.5)</b>	(166.5)
Redemption of preferred shares	<b>(20.2)</b>	—
Purchase of Non-Voting Class A Shares for cancellation	<b>—</b>	(215.2)
Increase in minority interest	<b>93.9</b>	—
Issue of Non-Voting Class A shares, net of costs	<b>1.1</b>	2.4
Payment of common dividends	<b>(11.2)</b>	(10.4)
	<b>(365.5)</b>	(139.6)
Total cash available (used)	<b>(219.5)</b>	132.9
Cash used for (provided by) investments		
Net proceeds from sale of investment in Hannaford Bros. Co.	<b>(667.8)</b>	—
Purchase of shares in subsidiary, Sobeys Inc.	<b>10.9</b>	—
Purchase of property, equipment and other assets	<b>292.6</b>	246.7
Proceeds from sale of property	<b>(56.9)</b>	(85.3)
Increase in employee future benefit obligation	<b>(1.7)</b>	—
Decrease in deferred foreign currency translation gains	<b>2.0</b>	—
Net increase (decrease) in short term investments	<b>172.1</b>	(10.7)
Total cash (available) used	<b>(248.8)</b>	150.7
Increase (decrease) in cash	<b>29.3</b>	(17.8)
Cash, beginning of year	<b>54.2</b>	72.0
Cash, end of year	<b>\$ 83.5</b>	\$ 54.2
Operating cash flow per share <i>(Note 3)</i>	<b>\$ 8.82</b>	\$ 7.86

*See accompanying notes to the consolidated financial statements.*



# Notes to the Consolidated Financial Statements

(\$ millions except per share amounts)

## 1. ACCOUNTING POLICIES

### Principles of consolidation

These consolidated financial statements include the accounts of the Company and all subsidiary companies. Investments in which the Company has significant influence are accounted for by the equity method. Investments in real estate joint ventures are consolidated on a proportionate basis.

The excess of cost over net assets acquired for equity accounted investments is amortized to income on a straight-line basis up to 40 years.

### Depreciation

The sinking fund method is used to record depreciation of the real estate buildings, calculated as an amount which, compounded annually at the rate of 5%, will fully amortize the cost of the buildings over their estimated useful lives ranging from 20 to 40 years. During the year, the Company changed the estimated useful lives of its rental properties based on a review of its properties. This change in accounting estimate has been applied prospectively. Prior to 2001, estimated lives ranged from 20 to 50 years from the date of acquisition. Deferred leasing costs are amortized over the terms of the related leases and included in operating expenses.

Depreciation of other property and equipment is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Equipment	3 – 10 years
Building	15 – 40 years
Leasehold improvements	7 – 10 years

### Capitalization of costs

**A) Construction projects** Certain subsidiary companies and joint ventures capitalize interest during the construction period until the project opening date. The amount of interest capitalized to construction in progress in the current year was \$0.8 (2000 - \$0.8).

**B) Rental properties** Certain subsidiaries and joint ventures capitalize the direct carrying and operating costs applicable to the unleased areas of each new project for a reasonable period from the project opening date until a certain level of occupancy is reached.

**C) Land held for future development** A subsidiary company capitalizes interest and real estate taxes to the extent that they relate to properties for immediate development. No amounts were capitalized in 2001 or 2000. The carrying costs on the balance of properties held for future development are expensed as incurred.

**Cost of financing** The direct costs of debt financing are being amortized over the terms of the related debt.

**Goodwill** Goodwill represents the excess of the purchase price of the business acquired over the fair value of the under-

lying net tangible assets acquired at the date of acquisition. Goodwill is amortized on a straight-line basis over its estimated life of 40 years. Goodwill amortization is net of income tax recovery of \$0.9 and minority interest of \$7.4 (2000 income taxes of \$0.6 and minority interest of \$7.3).

The Company evaluates the carrying value of goodwill for possible impairment by considering whether the amortization of the goodwill balance over the remaining life can be recovered through undiscounted future operating cash flow of the acquired operations.

**Inventories** Warehouse inventories are valued at the lower of cost and net realizable value with cost being substantially determined on a first-in, first-out basis. Retail inventories are valued at the lower of cost and net realizable value less normal profit margins as determined by the retail method of inventory valuation.

**Leases** Leases meeting certain criteria are accounted for as capital leases. The imputed interest is charged against income and the capitalized value is depreciated on a straight-line basis over its estimated useful life. Obligations under capital leases are reduced by rental payments net of imputed interest. All other leases are accounted for as operating leases with rental payments being expensed as incurred.

**Oil and gas properties and exploration costs** The Company follows the full cost method of accounting for its exploration and production activities. All costs of exploring for and developing oil and gas reserves are capitalized, net of government grants, and charged to operations over the life of estimated future production (proved reserves) on the unit-of-production method.

**Deferred revenue** Deferred revenue consists of a long term purchase agreement and rental revenue arising from the sale of subsidiaries. Deferred revenue is being taken into income over the term of the related agreement and leases.

**Foreign currency** Assets and liabilities of self-sustaining foreign investments are translated at exchange rates prevailing at the balance sheet date. The revenues and expenses are translated at average exchange rates prevailing during the year. The gains and losses on translation are deferred and included as a separate component of shareholders' equity titled "foreign currency translation".

Exchange gains or losses on monetary items identified as a hedge against long term foreign denominated investments are charged to "foreign currency translation" in shareholders' equity.

**Development and store opening expenses** Development and opening expenses of new stores and store conversions are written off during the first year of operation.

**Employee future benefits** Effective May 1, 2000, the company changed its method of accounting for employee future benefits to conform with the recommendations of the Canadian Institute of Chartered Accountants. This change has

been applied on a retroactive basis without restatement of the prior years. Accordingly, the opening retained earnings has been decreased by \$2.0 (net of minority interest of \$1.3), accrued benefit obligations have increased by \$59.1, goodwill has increased by \$26.2 (net of amortization) and future tax liabilities have decreased by \$24.4.

**Future income taxes liability** Effective May 1, 2000, the Company adopted the Canadian Institute of Chartered Accountants new handbook section 3465 relating to future income taxes. This change has been applied retroactively through an adjustment to retained earnings of \$2.8 (net of minority interest of \$0.5). Prior periods have not been restated as permitted under the standard.

**Accounting estimates** The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future.

## 2. SALE OF HANNAFORD BROS. CO.

On July 28, 2000 the company sold the Hannaford Bros. Co. investment. Details of the sale are as follows:

### Proceeds

Cash	\$	745.0
11,915,463 shares Delhaize America Inc.		287.3
		1,032.3
Expenses and foreign currency translation losses		39.6
		992.7
Book value net of foreign currency translation gains		268.5
Gain before income taxes		724.2
Income taxes		150.7
Gain	\$	573.5

## 3. EARNINGS AND CASH FLOW PER SHARE

Earnings and cash flow per share amounts are calculated on the weighted average number of shares outstanding (2001 – 32,813,000 shares; 2000 – 37,786,000 shares) after providing for preference share dividends accrued to the balance sheet date. Fully diluted earnings per share have been calculated on the assumption that all the outstanding stock options were exercised at the beginning of the year.

Earnings applicable to common shares is comprised of the following:

	2001	2000
Earnings before certain items	\$ 100.2	\$ 96.8
Preferred share dividends	1.2	1.7
	99.0	95.1
Goodwill amortization	11.7	12.1
	87.3	83.0
Capital gains and other items	491.5	2.1
Earnings applicable to common shares	\$ 578.8	\$ 85.1

Earnings per share is

comprised of the following:

Earnings before certain items, less

preferred share dividends	\$ 3.02	\$ 2.52
Goodwill amortization	(0.36)	(0.32)
Earnings before capital gains and other items	2.66	2.20
Capital gains and other items	14.98	0.05
Net earnings per share	\$ 17.64	\$ 2.25
Fully diluted earnings per share	\$ 17.64	\$ 2.25

Other cash flow information

Net interest paid	\$ 146.1	\$ 166.1
Net income taxes paid	\$ 67.2	\$ 40.3



**4. PROPERTY AND EQUIPMENT**

	Cost	Accumulated Depreciation	2001 Net Book Value	2000 Net Book Value
Real estate segment				
Land	\$ 111.1	\$ —	\$ 111.1	\$ 115.2
Land held for future development	8.3	—	8.3	8.8
Buildings	775.4	138.0	637.4	694.5
	894.8	138.0	756.8	818.5
Food distribution and other				
Land	75.6	—	75.6	83.5
Land held for future development	69.6	—	69.6	60.0
Buildings	357.3	96.7	260.6	239.9
Information systems development costs	—	—	—	74.7
Equipment	1,127.4	750.0	377.4	369.3
Leasehold improvements	217.0	115.7	101.3	89.4
Assets under capital leases	18.4	5.4	13.0	5.0
	1,865.3	967.8	897.5	921.8
Total	\$ 2,760.1	\$ 1,105.8	\$ 1,654.3	\$ 1,740.3

**5. OTHER ASSETS**

	2001	2000
Mortgages and loans	\$ 115.4	\$ 103.6
Goodwill (less accumulated amortization of \$50.2 2000 - \$45.1)	723.5	720.7
Deferred charges	114.3	93.0
	\$ 953.2	\$ 917.3

**6. BANK LOANS AND NOTES PAYABLE**

As security for certain bank loans, the Company has provided an assignment of certain marketable securities and, in certain divisions and subsidiaries, general assignments of receivables and leases, first floating charge debentures on assets and the assignment of proceeds of fire insurance policies.

Under the terms of a credit agreement entered into between the Company and a banking syndicate arranged by the Bank of Nova Scotia, a revolving term credit facility of \$300.0 was

established. This unsecured facility will expire on June 28, 2001, however, various provisions of the agreement provide the Company with the ability to extend the facility for a minimum period of two years. Interest is payable on this facility at rates which fluctuate with changes in the prime rate.

In the ordinary course of managing its debt, the Company uses various financial instruments, which are not reflected on the balance sheet, to reduce or eliminate exposure to interest rate and foreign currency risks. Interest rate swaps, caps, collars and forward contracts are used to hedge or reduce the exposure to floating interest rates and foreign currency fluctuations associated with short-term obligations. At April 30, 2001, \$25.0 in short-term obligations were covered by such instruments with a maximum interest rate of 4.98% maturing in 2002 or 2003 at the option of the bank.

Loans of \$67.2 US have been designated as a hedge against a foreign denominated investment.

**7. LONG TERM DEBT**

	Real Estate Segment	Food Distribution & Foodservice	2001 Total	2000 Total
First mortgage loans, average interest rate 9.6%, due 2001-2024	\$ 386.7	\$ 41.5	\$ 428.2	\$ 437.9
Secured loans, average interest rate 6.8%, due June 29, 2005	—	220.0	220.0	691.5
Medium term note, interest rate 7.6%, due November 1, 2005	—	175.0	175.0	—
Medium term note, interest rate 7.0%, due October 2, 2003	—	100.0	100.0	—
Debentures, average interest rate 10.7%, due 2002-2016	86.8	88.5	175.3	192.5
Notes payable and other debt at interest rates fluctuating with the prime rate	47.8	23.9	71.7	70.7
	521.3	648.9	1,170.2	1,392.6
Construction loans at interest rates fluctuating with the prime rate	13.5	—	13.5	13.3
Capital lease obligations, due 2001-2011, net of imputed interest	—	13.6	13.6	10.6
	534.8	662.5	1,197.3	1,416.5
Less amount due within one year	35.8	53.2	89.0	92.8
	\$ 499.0	\$ 609.3	\$ 1,108.3	\$ 1,323.7

As security for certain construction loans, the Company has provided a first charge on land and buildings under construction. These loans become due for refinancing at various dates in 2001. It is intended that these loans will be refinanced by long term borrowings.

Long term debt is secured by land and buildings, specific charges on certain assets and additional security as described in Note 6.

During the year a short form prospectus was filed providing for the issuance of up to \$500.0 in unsecured medium term notes. The company also negotiated a new unsecured \$550.0 credit facility consisting of \$250.0 of non-revolving debt to be repaid over five years, plus a \$300.0 revolving line of credit.

Debt retirement payments and capital lease obligations in each of the next five fiscal years are:

	Long term Debt	Capital Leases
2002	\$ 86.9	\$ 2.1
2003	67.8	1.8
2004	168.7	1.8
2005	130.0	1.6
2006	217.9	1.6

**Operating leases**

The net aggregate, annual, minimum rent payable under operating leases for fiscal 2002 is approximately \$81.3 (\$164.0 gross less expected sub-lease income of \$82.7). The net commitments over the next five fiscal years are:

	Net Lease Obligation
2002	\$ 81.3
2003	75.5
2004	57.8
2005	52.8
2006	48.4

**8. ACCOUNTS RECEIVABLE SECURITIZATION**

On June 29, 2000, the Company entered into a revolving securitization program, whereby some accounts receivable were sold to a banking syndicate under terms that transfer significant risks and rewards of ownership. The transaction was recognized as a sale and the accounts receivables were removed from the consolidated balance sheets.

As at April 30, 2001, the Company had received \$150.0 from the banking syndicate. The Company has retained interest of \$116.0 which is included in receivables.



**9. CAPITAL STOCK**

<b>Authorized</b>		<b>Number of Shares</b>	
Preferred shares, par value of \$25 each, issuable in series as a class. Series 2 cumulative, redeemable, rate of 75% of prime. Series 3 cumulative, redeemable, rate 8%.		34,261,305	
Non-Voting Class A shares, without par value		136,583,367	
Class B common shares, without par value, voting		20,400,000	

	<b>2001</b>		<b>2000</b>	
	<b>No. of Shares</b>		<b>No. of Shares</b>	
Issued and outstanding				
Preferred shares, Series 2	<b>431,900</b>	\$ 10.8	976,900	\$ 24.4
Preferred shares, Series 3	—	—	262,352	6.6
Non-Voting Class A	<b>15,380,044</b>	180.0	15,325,929	178.9
Class B common	<b>17,448,728</b>	7.7	17,448,728	7.7
	198.5		217.6	

Loans receivable from employees and directors under share purchase plan	(5.1)	(5.5)
	\$ 193.4	\$ 212.1

During the year, the Company purchased for cancellation 545,000 of its Series 2 preferred shares for \$13.6 and 262,352 of its Series 3 preferred shares for \$6.6.

In 2000, the Company purchased 6,478,750 Non-Voting Class A shares. The purchase price was \$215.2 including \$0.2 costs. \$140.2 of the purchase price was charged to retained earnings.

During the year 34,872 (2000 – 63,004) options were exercised resulting in 34,872 (2000 – 63,004) Non-Voting Class A shares being issued for \$0.5 (2000 – \$0.8). Options allow holders to purchase Non-Voting Class A shares at \$13.11 per share. Options expire at dates from June 2002 to October 2006. There were 89,003 options outstanding at April 30, 2001.

During the year 19,243 (2000 – 57,269) Non-Voting Class A shares were issued under the Company's share purchase plan to certain officers and employees for \$0.6 (2000 – \$1.6), which was based on the average trading price of the Non-Voting Class A shares on the Toronto Stock Exchange for the five previous trading days.

Loans receivable from officers and employees of \$5.1 (2000 – \$5.5) under the Company's share purchase plan are classified as a reduction of Shareholders' Equity. Loan repayments will result in a corresponding increase in Share Capital. The loans are non-interest bearing and non-recourse, secured by 225,368 (2000 – 277,831) Non-Voting Class A shares. Market value of the shares at April 30, 2001 was \$7.7 (2000 – \$8.9).

Under certain circumstances, where an offer (as defined in the share conditions) is made to purchase Class B common

shares, the holders of the Non-Voting Class A shares shall be entitled to receive a follow-up offer at the highest price per share paid, pursuant to such offer to purchase Class B common shares.

**10. INVESTMENT INCOME**

	<b>2001</b>	<b>2000</b>
Dividend and interest income	\$ 14.1	\$ 0.3
Share of income of companies accounted for by the equity method	15.7	37.9
	<b>\$ 29.8</b>	<b>\$ 38.2</b>

**11. CAPITAL GAINS AND OTHER ITEMS**

	<b>2001</b>	<b>2000</b>
Gain on sale of investments	\$ 19.1	\$ 3.6
Loss on sale of properties	(1.4)	(0.5)
Restructuring expenses	(89.1)	—
Gain on sale of investment in Hannaford Bros. Co.	724.2	—
Reduction of book value of investments	(47.8)	—
Reduction of book value of real estate assets	(73.7)	—
	<b>\$ 531.3</b>	<b>\$ 3.1</b>

On January 24, 2001 Sobeys Inc., the Company's food distribution segment subsidiary, announced its decision to discontinue further development and implementation of its enterprise-wide software and systems initiative. This resulted in an expense of \$89.1 or \$30.3 net of income taxes of \$39.9 and minority interest of \$18.9.

As a result of a strategic review completed during the first quarter, including a review of the carrying value of investments and real estate assets, the company determined that a write-down was appropriate. Accordingly, the carrying value of Wajax was reduced by \$47.8 (\$41.2 after tax) and the carrying value of certain real estate properties was reduced by \$73.7 (\$45.9 after tax).

## 12. INCOME TAXES

Income tax expense varies from the amount that would be computed by applying the combined federal and provincial statutory tax rate as a result of the following:

	2001	2000
Income tax expense according to combined statutory rate of 40.4% (2000 – 42.9%)	\$ 85.7	\$ 83.9
Increase (reduction) in income taxes resulting from adjustment to future tax assets and liabilities for substantially enacted changes in tax laws and reduction in capital gains inclusion rate	1.5	–
Non-taxable gains	(0.5)	–
Non-taxable dividends and equity earnings	(9.7)	(15.9)
Non-deductible goodwill amortization	7.7	7.6
Other non-deductible costs	–	0.4
Large corporation tax	4.2	3.9
Total income taxes (before capital gains and other items)	88.9	79.9
Capital gains and other items	58.8	–
	\$ 147.7	\$ 79.9

April 30, 2001 income tax expense attributable to net income consists of:

	Current	Future	Total
Operations	\$ 80.4	\$ 9.4	\$ 89.8
Capital gains and other items	23.4	35.4	58.8
Goodwill	–	(0.9)	(0.9)
	\$ 103.8	\$ 43.9	\$ 147.7

The tax effect of temporary differences that give rise to significant portions of future income taxes at April 30, 2001 are presented below:

Real estate division property	\$ 76.2
Investments	53.7
Future employee benefit obligation	(27.0)
Restructuring provisions	(16.7)
Pension contributions	13.6
Deferred cost	14.8
Tax loss carry-forward	(56.2)
Other	8.5
	\$ 66.9
Future income taxes – current	\$ 16.4
Future income taxes – non-current	50.5
	\$ 66.9

## 13. ITEMS NOT AFFECTING CASH

	2001	2000
Depreciation	\$ 117.9	\$ 121.4
Goodwill amortization	20.0	20.0
Future income taxes	(10.7)	64.7
Amortization of deferred items	23.2	8.3
Equity in earnings of other companies, net of dividends received	(13.3)	(28.3)
Minority interest	29.5	25.8
Restructuring charges, net of taxes of \$39.9 and minority interest of \$18.9	30.3	–
Gain on sale of investment in Hannaford Bros. Co., net of income taxes of \$150.7	(573.5)	–
Reduction of book value of real estate assets, net of income taxes of \$27.8	45.9	–
Reduction of book value of investments, net of income taxes of \$6.6	41.2	–
	\$ (289.5)	\$ 211.9



**14. REAL ESTATE JOINT VENTURES**

The financial statements include the Company's proportionate share of the accounts of incorporated and unincorporated real estate joint ventures.

A summary of these amounts is as follows:

	2001	2000
Assets	\$ 76.2	\$ 14.6
Liabilities	\$ 32.0	\$ 0.6
Equity and advances	44.2	14.0
	\$ 76.2	\$ 14.6
Revenues	\$ 4.4	\$ 4.1
Expenses	2.4	2.3
Income before income taxes	\$ 2.0	\$ 1.8
Cash provided (used)		
Operating activities	\$ 8.9	\$ 3.4
Investing activities	(53.1)	—
Financing activities	43.5	(1.3)
	\$ (0.7)	\$ 2.1

On January 15, 2001 the Company acquired a 40% interest in the joint venture Genstar Development Partnership for cash proceeds of \$29.0. The company's proportionate share of the assets and liabilities acquired are as follows:

Assets	\$ 73.3
Liabilities	\$ 44.3
Equity and advances	29.0
	\$ 73.3

**15. SEGMENTED INFORMATION**

	2001	2000
<b>Revenue</b>		
Food		
Food distribution	\$ 9,161.0	\$ 8,936.2
Foodservice	2,209.5	2,069.9
	11,370.5	11,006.1
Real estate		
Outside	119.0	112.4
Inter-segment	46.8	44.7
	165.8	157.1
Other operations	49.1	46.0
	11,585.4	11,209.2
Elimination	(46.8)	(44.7)
	\$ 11,538.6	\$ 11,164.5

**Operating income**

Food		
Food distribution	\$ 231.0	\$ 231.8
Foodservice	31.9	33.8
	262.9	265.6
Real estate	82.3	70.1
Other operations	6.5	5.7
Investment income	29.8	38.2
Corporate expenses	(7.2)	(5.4)
	\$ 374.3	\$ 374.2

**Identifiable assets**

Food		
Food distribution	\$ 1,740.6	\$ 1,776.4
Foodservice	366.1	366.0
Goodwill	723.5	714.9
	2,830.2	2,857.3
Real estate	844.5	846.6
Investments	534.6	405.7
Other	45.0	61.4
	\$ 4,254.3	\$ 4,171.0

**Depreciation**

Food		
Food distribution	\$ 87.0	\$ 86.5
Foodservice	12.5	11.5
	99.5	98.0
Real estate	14.7	19.9
Corporate and other	3.7	3.5
	\$ 117.9	\$ 121.4

**Capital expenditure**

Food		
Food distribution	\$ 255.8	\$ 171.1
Foodservice	14.1	14.7
	269.9	185.8
Real estate	20.6	52.6
Corporate and other	2.1	8.3
	\$ 292.6	\$ 246.7

The Company operates principally in three business segments: food distribution, foodservice and real estate. The food distribution segment consists of distribution of food products in Canada. The foodservice segment supplies the institutional, chain and independent restaurant markets in Canada. The real estate segment consists of development, rental and management of shopping centres and office buildings located principally in the Atlantic Provinces. Intersegment transactions are at market values.

**16. FINANCIAL INSTRUMENTS**

**Credit risk** There is no significant concentration of credit risk. The credit risk exposure is considered normal for the business.

**Other financial instruments** The book value of cash, receivables, mortgages and loans receivable, bank loans and notes payable, accounts payables and accrued charges and income taxes payable approximate fair values at April 30, 2001. The fair value of investments is \$593.3.

The total fair value of long term debt is estimated to be \$1,295.2. The fair value of variable rate debt is assumed to approximate its carrying amount. The fair value of other long term debt has been estimated by discounting future cash flows at a rate offered for debt of similar maturities and credit quality.

**Interest rate risk** The majority of the Company debt is at fixed rates. Accordingly, there is limited exposure for interest rate risk.

**17. CONTINGENT LIABILITIES**

At April 30, 2001, the Company was contingently liable for letters of credit issued in the aggregate amount of \$42.7.

The Company has guaranteed certain bank loans contracted by franchisees. As at April 30, 2001, these loans amounted to approximately \$14.7.

There are various claims and litigation, which the Company is involved with, arising out of the ordinary course of business operations. The Company's management does not consider the exposure to such litigation to be material, although this cannot be predicted with certainty.

**18. EMPLOYEE FUTURE BENEFITS**

The company has a number of defined benefit and defined contribution plans providing pension and other retirement benefits to most of its food distribution and foodservice employees.

**Defined contribution plans**

The total expense for the Company's defined contribution plans is as follows:

2001	\$	7.7
2000	\$	5.7

**Defined benefit plans**

Information about the Company's defined benefit plans, in aggregate, is as follows:

	Pension Benefit Plans	Other Benefit Plans
	2001	2001
Accrued benefit obligation		
Balance, beginning of year	\$ 195.9	\$ 59.1
Current service cost	4.3	1.5
Interest cost	14.4	4.1
Employee contributions	0.3	—
Plan amendments	0.4	—
Benefits paid	(15.7)	(3.9)
Curtailment	0.1	—
Actuarial loss	6.7	1.0
Balance, end of year	\$ 206.4	\$ 61.8
Plan assets		
Market value, beginning of year	\$ 205.6	\$ —
Actual return on plan assets	11.3	—
Employer contributions	8.0	3.9
Employee contributions	0.3	—
Benefits paid	(15.7)	(3.9)
Market value, end of year	\$ 209.5	\$ —
Funded status		
Surplus	\$ 3.1	\$ (61.8)
Unamortized past service cost	0.4	—
Unamortized actuarial loss	12.0	1.0
Accrued benefit asset (liability)	\$ 15.5	\$ (60.8)
Expense		
Current service cost	\$ 4.3	\$ 1.5
Interest cost	14.4	4.1
Expected return on plan assets	(16.6)	—
	\$ 2.1	\$ 5.6

Included in the above accrued benefit obligation at year end are the following amounts in respect of plans that are not funded:

	Pension Benefit Plans	Other Benefit Plans
	2001	2001
Accrued benefit obligation	\$ 16.0	\$ 61.8



The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows (weighted-average assumptions as of April 30, 2001):

	Pension Benefit Plans	Other Benefit Plans
	2001	2001
Discount rate	7.35%	7.35%
Expected long term rate of return on plan assets	8.00%	—
Rate of compensation increase	4.00%	—

For measurement purposes, a 4.5% to 5.0% annual rate of increase in the per capita cost of covered health care benefits was assumed, a rate that is expected to be slightly in excess of inflation. The average remaining service period of the active employees covered by the pension benefit plans and other benefit plans is 13 and 17 years, respectively.

## 19. COMPARATIVE FIGURES

Comparative figures have been reclassified, where necessary, to reflect the current year's presentation.

## Consolidated Schedule of Investments

<i>April 30 (in millions except number of shares)</i>	Number of Shares	Realizable Value
<b>Long Term Investments</b>		
Investments, at equity		
Wajax Limited	7,452,994	\$ 41.0
<b>Current investments</b>		
Listed investments		543.1
Unlisted investments, at cost		9.2
		552.3
		\$ 593.3

Realizable value is the quoted market value for shares listed on a recognized stock exchange, and cost which is less than fair market value, for other investments.

## Eleven Year Financial Review

<i>Years ended April 30</i>	<b>2001</b>	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
<i>Operations (\$ in millions)</i>											
Revenue	<b>11,538.6</b>	11,164.5	6,377.7	3,320.0	3,149.7	2,915.2	2,699.5	2,577.4	2,358.4	2,235.5	2,087.9
Cost of sales, selling and administrative expenses	<b>11,076.2</b>	10,707.1	6,098.2	3,127.1	2,971.9	2,746.0	2,521.5	2,409.9	2,209.6	2,101.4	1,959.7
	<b>462.4</b>	457.4	279.5	192.9	177.8	169.2	178.0	167.5	148.8	134.1	128.2
Depreciation	<b>117.9</b>	121.4	93.9	68.6	63.6	59.1	55.5	49.9	44.1	39.6	33.9
Operating income before investment income	<b>344.5</b>	336.0	185.6	124.3	114.2	110.1	122.5	117.6	104.7	94.5	94.3
Investment income	<b>29.8</b>	38.2	37.3	41.3	35.6	32.7	30.1	27.0	27.6	21.1	28.1
Operating income	<b>374.3</b>	374.2	222.9	165.6	149.8	142.8	152.6	144.6	132.3	115.6	122.4
Gain (loss) on sale of properties and investments	<b>531.3</b>	3.1	37.8	6.5	1.4	2.1	(2.8)	5.4	1.7	0.2	0.8
Earnings before interest expense and income taxes	<b>905.6</b>	377.3	260.7	172.1	151.2	144.9	149.8	150.0	134.0	115.8	123.2
Interest expense	<b>142.1</b>	159.6	112.4	76.7	79.2	87.7	89.3	81.4	73.4	76.1	76.8
Income taxes	<b>148.6</b>	80.5	48.6	25.1	16.9	13.7	16.8	19.4	15.6	11.0	12.0
Minority interest	<b>23.2</b>	38.3	9.5	—	0.4	0.5	0.5	0.5	0.3	1.5	2.7
Earnings before certain items	<b>100.2</b>	96.8	90.2	70.3	54.7	43.0	43.2	48.7	44.7	27.2	31.7
Goodwill	<b>11.7</b>	12.1	6.0	1.8	1.8	0.9	2.0	0.8	0.6	0.6	0.6
Other items/discontinued operations	<b>491.5</b>	2.1	50.8	19.3	—	(20.4)	—	—	(15.6)	(5.6)	(16.7)
Net earnings	<b>580.0</b>	86.8	135.0	87.8	52.9	21.7	41.2	47.9	28.5	21.0	14.4
Cash flow from operating activities	<b>146.0</b>	272.5	303.2	133.1	107.2	85.2	103.0	68.0	66.2	67.1	38.2
Capital expenditures	<b>292.6</b>	246.7	276.0	137.5	82.7	125.7	120.1	98.1	40.5	93.0	97.5
<i>Financial Position (\$ in millions)</i>											
Net working capital (including marketable investments)	<b>148.1</b>	(342.3)	(217.9)	153.1	128.8	178.5	183.6	204.3	240.4	189.6	228.0
Property and equipment	<b>1,654.3</b>	1,740.3	1,689.7	1,069.0	1,001.9	1,004.5	968.8	909.9	714.5	720.3	673.4
Total assets	<b>4,254.3</b>	4,171.0	4,023.5	1,907.2	1,797.4	1,731.4	1,761.1	1,696.9	1,426.5	1,421.9	1,402.0
Long term debt (excluding current position)	<b>1,108.3</b>	1,323.7	1,392.4	616.6	606.8	656.1	648.0	633.6	514.9	472.6	430.7
Shareholders' equity	<b>1,115.0</b>	602.8	737.7	558.3	479.6	474.9	469.5	447.9	401.6	398.9	398.0
<i>Per Share Information (\$ per share)</i>											
Earnings before certain items	<b>3.02</b>	2.52	2.20	1.81	1.33	0.96	0.93	1.09	0.98	0.44	0.49
Net earnings	<b>17.64</b>	2.25	3.55	2.33	1.33	0.41	0.93	1.09	0.52	0.28	0.01
Operating cash flow	<b>8.82</b>	7.86	4.31	2.97	2.54	2.22	2.17	2.33	2.11	1.57	1.32
Dividend paid											
Non-voting Class A Shares	<b>0.34</b>	0.28	0.2725	0.2425	0.22	0.215	0.20	0.20	0.18	0.16	0.16
Class B common shares	<b>0.34</b>	0.28	0.2725	0.2325	0.18	0.165	0.12	0.12	0.09	0.06	0.06
Book value	<b>33.63</b>	17.45	18.06	14.12	11.86	10.48	10.24	9.59	7.66	7.35	7.23
<i>Financial Ratios</i>											
Return on equity – continuing operations, before certain items	<b>10.6%</b>	13.0%	13.4%	13.9%	11.9%	9.3%	9.4%	12.2%	12.7%	5.9%	6.6%
Return on equity	<b>69.1%</b>	13.3%	21.7%	17.9%	11.9%	3.9%	9.4%	12.2%	6.8%	3.7%	0.1%
<i>Share Price, Non-voting Class A Shares (\$ per share)</i>											
High	<b>36.50</b>	33.95	32.55	28.50	15.70	15.75	16.50	17.75	14.75	13.75	13.50
Low	<b>27.75</b>	24.65	25.00	15.60	12.25	11.50	13.00	12.25	10.00	11.00	8.75
Close	<b>34.00</b>	32.10	26.00	27.25	15.70	12.30	13.38	16.13	14.25	12.63	11.88



# Directors and Officers

## OFFICERS

DONALD R. SOBEY  
Chairman

PAUL D. SOBEY  
President and CEO

PAUL V. BEESLEY  
Senior Vice President,  
Chief Financial Officer  
and Secretary

STEWART H. MAHONEY  
Vice President,  
Treasury and Investor Relations

CAROL A. CAMPBELL  
Vice President, Risk Management

JOHN G. MORROW  
Comptroller

## EXECUTIVE DIRECTORS

DAVID F. SOBEY<sup>3</sup>  
New Glasgow, Nova Scotia  
Director since 1963. Chairman  
of Sobeys Inc, has been with the  
Company for 49 years.

DONALD R. SOBEY<sup>3</sup>  
New Glasgow, Nova Scotia  
Director since 1963. Chairman of  
Empire Company Limited, has been  
with the Company for 43 years.

FRANK C. SOBEY  
Stellarton, Nova Scotia  
Director since 1990. Chairman of  
Atlantic Shopping Centres Limited,  
has been with the Company for  
23 years.

PAUL D. SOBEY  
New Glasgow, Nova Scotia  
Director since 1993. President and  
CEO of Empire Company Limited,  
has been with the Company for  
19 years.

ROBERT G. SOBEY  
Stellarton, Nova Scotia  
Director since 1998. Director  
Leadership Administration,  
Sobeys Inc., has been with the  
Company for 12 years.

## INDEPENDENT DIRECTORS

JOHN L. BRAGG<sup>3,5</sup>  
Collingwood, Nova Scotia  
Director since 1999. Director and  
President, Oxford Frozen Foods Ltd.

SIR GRAHAM DAY<sup>2,5</sup>  
Hantsport, Nova Scotia  
Director since 1991. Counsel to  
Stewart McKelvey Stirling Scales.

DOUGLAS B. STEWART  
New Glasgow, Nova Scotia  
Director since 1992.  
Corporate Director

ROBERT P. DEXTER<sup>3,6</sup>  
Halifax, Nova Scotia  
Director since 1987. Chairman  
and CEO of Maritime Travel  
(Group) Limited.

PETER C. GODSOE<sup>1</sup>  
Toronto, Ontario  
Director since 1993.  
Chairman and CEO of  
The Bank of Nova Scotia.

JAMES W. GOGAN<sup>1</sup>  
New Glasgow, Nova Scotia  
Director since 1972.  
Corporate Director.

JAMES L. MOODY, JR<sup>4</sup>  
Cape Elizabeth, Maine  
Director Since 1998.  
Corporate Director.

DR. ELIZABETH PARR-JOHNSTON<sup>1</sup>  
Fredericton, New Brunswick  
Director since 1994. President  
and Vice Chancellor of the  
University of New Brunswick.

E. COURTNEY PRATT<sup>3,5</sup>  
Toronto, Ontario  
Director since 1995.  
President and CEO of Toronto Hydro.

J. WILLIAM SINCLAIR<sup>3</sup>  
Westville, Nova Scotia  
Director since 1980.  
Corporate Director.

JOHN R. SOBEY  
Stellarton, Nova Scotia  
Director since 1979.  
Corporate Director.

- 1 Audit Committee Member
- 2 Audit Committee Chairman
- 3 Human Resources Committee Member
- 4 Human Resources Committee Chairman
- 5 Corporate Governance Committee Member
- 6 Corporate Governance Committee Chairman

## DIRECTORS OF OPERATING COMPANIES

### SOBEYS INC.

#### Executive Directors

DAVID F. SOBEY  
Chairman, Sobeys Inc.

DONALD R. SOBEY  
Chairman,  
Empire Company Limited.

PAUL D. SOBEY  
President and CEO,  
Empire Company Limited.

WILLIAM G. (BILL) McEWAN  
President and CEO,  
Sobeys Inc.

#### Independent Directors

JOHN L. BRAGG  
President,  
Oxford Frozen Foods Limited.

MARCEL CÔTÉ  
Senior Partner, Secor Inc.

SIR GRAHAM DAY  
Counsel to Stewart McKelvey  
Stirling Scales.

ROBERT P. DEXTER  
Chairman and CEO,  
Maritime Travel (Group) Limited.

RONALD V. JOYCE  
Senior Chairman,  
The TDL Group Limited.

KARL R. SOBEY  
Corporate Director.

JOHN R. SOBEY  
Corporate Director.

LAWRENCE N. STEVENSON  
President, Pathfinder Capital.

ANNETTE VERSCHUREN  
President, Home Depot Canada.

## ATLANTIC SHOPPING CENTRES LIMITED

### Executive Directors

J. STUART BLAIR  
President and CEO, Atlantic  
Shopping Centres Limited.

DAVID F. SOBEY  
Chairman, Sobeys Inc.

DONALD R. SOBEY  
Chairman,  
Empire Company Limited.

FRANK C. SOBEY  
Chairman, Atlantic Shopping  
Centres Limited.

PAUL D. SOBEY  
President and CEO,  
Empire Company Limited.

#### Independent Directors

DAVID G. GRAHAM  
President,  
Atlantic Developments Inc.

DAVID J. HENNIGAR  
Chairman, Annapolis Basin  
Group Inc.

KENNETH C. ROWE  
Chairman and CEO,  
IMP Group Ltd.

JOHN B. ROY  
President, Summit REIT.

JOHN R. SOBEY  
Corporate Director.

## OFFICERS OF OPERATING COMPANIES

### SOBEYS INC.

DAVID F. SOBEY  
Chairman

WILLIAM G. (BILL) McEWAN  
President and CEO

R. GLENN HYNES  
Executive Vice President & Chief  
Financial Officer

JAMES M. DICKSON  
Executive Vice President, Corporate  
Services, General Counsel & Secretary

DUNCAN F. REITH  
Executive Vice President & Chief  
Merchandising Officer

CLINTON D. KEAY  
Treasurer

JOHN K. LYNN  
President Operations, Atlantic Region

MARC POULIN  
President Operations, Quebec Region

EUGENE J. DUYNSTEE  
President Operations, Ontario Region

WAYNE A. WAGNER  
President Operations, Western Region

GARY H. SEAMAN  
President, SERCA Foodservice Inc.

## ATLANTIC SHOPPING CENTRES LIMITED

FRANK C. SOBEY  
Chairman

J. STUART BLAIR  
President and CEO

JOHN G. MORROW  
Vice President, Finance and  
Secretary

ALLAN K. MACDONALD  
Vice President, Leasing

SCOTT R. MACLEAN  
Vice President, Operations

PAUL W. WIGGINTON  
Comptroller

## EMPIRE THEATRES LIMITED

STUART G. FRASER  
President and CEO

KEVIN J. MACLEOD  
Vice President, Operations

# Investor Information

## EMPIRE COMPANY LIMITED

Head Office  
115 King Street  
Stellarton, Nova Scotia  
BoK 1So  
Telephone: (902) 755-4440  
Fax: (902) 755-6477  
Internet: [www.empireco.ca](http://www.empireco.ca)

## INVESTOR RELATIONS

For additional information  
please write to the company,  
c/o Stewart H. Mahoney, CFA  
Vice President, Treasury and Investor Relations  
E-mail: [investor.relations@empireco.com](mailto:investor.relations@empireco.com)

## AFFILIATED COMPANY WEB ADDRESSES

[www.sobeys.com](http://www.sobeys.com)  
[www.empiretheatres.com](http://www.empiretheatres.com)  
[www.atlanticshoppingcentres.com](http://www.atlanticshoppingcentres.com)

## SHAREHOLDERS' ANNUAL MEETING

September 12th, 2001 at 11:00 a.m.  
Aberdeen Cinemas  
610 East River Road  
New Glasgow, Nova Scotia

## STOCK EXCHANGE LISTINGS

The Toronto Stock Exchange

## STOCK SYMBOLS

Non-voting Class A shares – EMPA  
Preferred shares:  
Series 2 – EMP.PR.B

## AVERAGE DAILY TRADING VOLUME (TSE)

13,700

## COMMON DIVIDEND RECORD AND PAYMENT DATES FOR FISCAL 2002\*

Record Date	Payment Date
July 13, 2001	July 31, 2001
Oct. 15, 2001	Oct. 31, 2001
Jan. 15, 2002	Jan. 31, 2002
Apr. 15, 2002	Apr. 30, 2002

\* subject to approval by Board of Directors

## OUTSTANDING SHARES

As of July 7th, 2001

Non-Voting Class A common	15,382,144
Options exercisable for	
Class A common shares	86,903
Class B common, voting	17,448,728

## TRANSFER AGENTS

Computershare Trust Company of Canada  
Telephone: (800) 564-6253  
Non-voting Class A shares  
  
CIBC Mellon Trust Company  
Telephone: (902) 420-3821  
Series 2 Preferred shares

## BANKERS

Bank of America (Canada)  
Bank of Montreal  
Bank of Nova Scotia  
Canadian Imperial Bank of Commerce  
National Bank of Canada  
Royal Bank of Canada  
Toronto-Dominion Bank

## SOLICITORS

Stewart McKelvey Stirling Scales  
Halifax, Nova Scotia

## AUDITORS

Grant Thornton, LLP  
New Glasgow, Nova Scotia

## MULTIPLE MAILINGS

If you have more than one account, you may receive a separate annual report for each. If this occurs, please contact Computershare at (800) 564-6253 to eliminate the multiple mailings.

## INVESTOR INQUIRIES

Communications regarding investor records, including changes of address or ownership, should be directed to the Company's transfer agent, Computershare Investor Services, Inc., at the above contact information.

## EXAMPLAIRE FRANÇAIS

Vous pouvez obtenir un exemplaire français de ce rapport annuel en écrivant à :

Empire Company Limited  
Investor Relations  
115 King Street  
Stellarton, Nova Scotia  
BoK 1So



## Mission Statement

**GOAL:** Empire is committed to building shareholder value through long-term profitability and growth by becoming a market leader in its core operating businesses and by investing in other opportunities to augment this growth in value.

**How:** Empire will achieve this goal by treating employees in ways that create extraordinary customer service and shareholder value.

**VALUES:** Empire will be a good corporate citizen, upholding the highest standards of integrity and ethical conduct.

## Corporate Governance

The governance of the corporation is the responsibility of Empire's Board of Directors, which has three committees: Corporate Governance; Human Resource; and Audit. For a more detailed review of the Company's governance practices see Empire's 2001 Management Information Circular.

## Community Involvement

Empire is an active member of the communities in which it operates through the volunteer efforts of its employees and the financial support provided each year by the Sobey Foundation. The Company is a member of the "Imagine" corporate giving program and sponsors numerous charitable initiatives through its operating companies including the popular "Tape Saver" program and the annual "Run for the Cure" in support of breast cancer research.





**La chute des feuilles, Sainte-Rose, 1937,** © SODART 2001  
Marc- Aurèle Fortin, A.R.C.A. (1888-1970)

Empire's custom of featuring a Canadian painting from the Sobey collection in its annual reports continues with this dazzling autumn scene from the Province of Quebec.

Marc-Aurèle Fortin studied in Montreal with the conservative painters Ludger Larose and Edmond Dyonnet, and in the years just before the First World War, at the Art Institute of Chicago and in Boston and New York. He also travelled widely in the mid-1930s in southern France and northern Italy. Seen as a major landscape painter of his generation in Quebec, Fortin found his subjects in his native village of Sainte-Rose, north of Montreal. He also depicted life along the Saint Lawrence River and in the Gaspé, as well as in relatively detached views of Montreal. He responded warmly to rural subjects and landscape while his scenes of the city of "Hochelaga" were always at a physical and psychological distance. By the 1930's he was being widely collected in Quebec, his landscapes being decorative yet imbued with the power to suggest a spiritual element that Fortin could only find outside the urban areas. *La chute des feuilles* – the fall of autumn leaves – is a signpost of the reassuring cycle of rural life while the bright colours reflect the influence of his sojourn in southern Europe.

Colour reproductions of this painting are available in limited numbers, upon request. Please write to the company c/o The Sobey Art Foundation or visit our website at [www.emp-a.com](http://www.emp-a.com).